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Report of hearings, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

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REPORTERS:

George Thompson
John Robertson
David Torry

EDMONTON, ALBERTA, MARCH 28, 1938.

REPRESENTATIONS BY THE UNIVERSITY OF ALBERTA

REPRESENTATIONS BY THE EDMONTON CHAMBER OF COMMERCE

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

EDMONTON, ALBERTA, MARCH 28, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Court House, Edmonton, Alberta, on Monday, March 28, 1938, at 2.30 p.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS	Commissioners
JOHN W. DAFOE, Esq.	
DR. ROBERT ALEXANDER MacKAY	
PROFESSOR HENRY FORBES ANGUS	

Commission Counsel:

James McGregor Stewart, Esq., K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R.M. Fowler, Esq.	Legal Secretary to the Chairman of the Commission
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE UNIVERSITY OF ALBERTA:

Mr. A. R. Kerr, M.A., Ph.D.,	President

FOR THE EDMONTON CHAMBER OF COMMERCE:

Mr. John M. Imrie,	Chairman of the Special Committee.

Court House,
Edmonton, Alberta,
March 28, 1938.

The Commission resumed at 2.30 P.M.

THE CHAIRMAN: The Commission is very glad to pay this visit to the province of Alberta and the City of Edmonton.

It is a long time since I first visited what is now this province, 1890, and I have kept in touch with the developments in the province more or less ever since.

You have had your periods of prosperity and periods of adversity, as have the other provinces of Canada. But undoubtedly the acute depression of the past seven or eight years has revealed stresses and strains in our constitution and difficulties in government finance, which have led to the appointment of this commission.

Our main function is to re-examine the economic and financial bases of Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years.

I am sure everyone will agree that that is as big and difficult a task as could be committed to any body of men to perform. We are endeavouring to perform it to the best of our ability. We welcome all assistance we can secure, not only from governments but from recognized public organizations. We welcome suggestions not only as to conditions but as to possible solutions for these conditions. I am sure in the briefs that have been filed with us here, I think some twenty-two in all, we will derive much valuable information as to conditions in the province and I am sure many helpful suggestions as to the solution of some of the problems.

I understand the President of the University has to leave the city almost at once and we have been asked to take the University brief first. We are very glad to hear Principal Kerr.

William Alexander Rodd Kerr, M.A., Phd.D., Principal of the University of Alberta, was called:

MR. KERR: Thank you, sir, very much. I appreciate, and may I say on behalf of the University, how much we appreciate, the courtesy of your hearing and also your courtesy in allowing ussto speak first because we are not the largest of those who will address you.

So far as what I have to say is concerned, I do not intend to read this document, because it has been filed with you already, but I should like to comment on what seemed to me to be, perhaps, a few of the more important points it contains.

The University of Alberta, the only institution of university education in the province, opened its doors in 1908; consequently it is just thirty years old at this time. Allowing for the World War and the great depression its progress, I think, has been steady. It opened with thirty-five students and we have now 2100. A drop during the Great War for a while and another drop during the depression, but on the whole a fairly steady advance.

The University of Alberta finances faculties of arts and sciences, which includes schools of commerce and household economics, faculty of applied science, of agriculture and of law, for which we demand the B.A. as matriculation, medicine including schools of dentistry, nursing and pharmacy, and a school of education and department of extension. On the whole, a fairly good representation of generally good faculties and schools.

With regard to the last named Department of Extension, we are somewhat proud of that organization in this province. It contains divisions of lectures, library, cinema, visual instruction, radio and public discussion, and runs at high pressure throughout the year.

We believe from careful investigations that this Department of Extension reaches some 365,000 persons in this province, a thousand people per day are reached.

Under the auspices of this department also a Farm Young People's Week is held in every June, in which young men and women elected by their peers are sent up for a week's instruction to the University. And we have a School of Fine Arts at Banff every summer during the month of August which has been very happily and helpfully contributed to by the Carnegie Institute in its support.

THE CHAIRMAN: How many students would you have at your Banff School?

MR. KERR: We had approximately 200 in 1937, and for the Farm Young People about 100. In my opinion the Banff School is capable of almost indefinite expansion with reasonable support. We teach music, dramatics, painting and dancing there.

On the University of Alberta is passed the whole burden of higher Education in this province. We have a Junior College in Calgary, Mount Royal, and a Catholic College, Saint Josephs, in Edmonton, but between those and the provincial institution there are no monetary relations. I should like to point out, sir, that the Alberta University was supported without endowment. My memory is that my own Alma Mater, Toronto, was started with a grant of some half a million acres of ground to begin with for endowment, but the Alberta University was started without anything. I am informed, I do not know how accurate it is, that at the time of autonomy there was a good deal of discussion about making a land grant to both the University of Saskatchewan and the University of Alberta and that Sir Wilfrid Laurier was favourable disposed to such a proposal, but in any case nothing came of that and the young provinces without any

accumulated wealth were left to launch and maintain their own new provincial universities.

The endowment we have in the land, apart from the University grounds in the city of Edmonton, consists of about $750,000; of that $500,000 is a grant from the Rockefeller Foundation for the clinical years in Medicine. We have another $250,000 made up of aids in various relatively small amounts so that our cash endowment is only three quarters of a million dollars.

It is admittedly true that under the terms of the B.N.A. Act education was assigned the provinces, but I think it is equally true to claim that education in 1867 was a very different thing from what it is in 1938. The era of science, as we understand it, was just dawning, and a university or a college to the man in his maturity in 1867 meant practically what we call nowadays a small classical college given over to the study of the humanities and a certain amount of reading of one or two scientific books, but the laboratories scarcely existed. It seems to me if you compare the curriculum of a university of 1867 with 1938 they are totally different things, they are hardly recognizable as representing the same type of institution.

It is the scientific branches that cost us money. As a matter of fact I have made a calculation in the case of the University of Alberta. Out of $3.00 spent on the institution $2.00 go into scientific branches, and they were non-existent to all extents and purposes seventy years ago.

I should like to draw attention in this brief also, for a minute or two, to a table which represents the registration of the institution over the last ten years, the government grant to the institution and the grant per student. 1927-28 the registration was 1536, government grant $448,000, the grant per student, consequently, $292.00 per annum. If one

follows the figures, for example go down two years, say, the student population was 1560, the government grant $525,000 and the grant per student, $336. In 1933-34 a student population of 1775, government grant of $390,000, a very serious drop, and per student $219. In the last year for which we have statistics, 1936-37, a student population of 2148, a government grant of $384,000 and per student $178.80 per annum. So that our position has been becoming, as the years have gone by, financially more and more difficult. I say our population has steadily risen and after the peak year of grant of $588,000 in 1931-32, it has dropped now to $384,000.

THE CHAIRMAN: Could you tell us in general terms how that 2148 is divided into the different faculties?

MR. KERR: Yes, I could give you that, I have it here. Faculty of Arts and Sciences 533, Applied Science 277, Agriculture 71, Law 86, Medicine 467.

THE CHAIRMAN: You must be able to turn out all the doctors this province requires with that number of students.

MR. KERR: They are all absorbed. As a matter of fact, we have put a quota on it now and we have reached our peak. In fact, it will be lower than that hereafter. It must be remembered too, sir, that there is no medical school west of Winnipeg except the University of Alberta School, and there is no medical school west along the western tier of American states. So our radius is very large really and we feel it our duty to try and cope with that demand.

THE CHAIRMAN: Approximately how many students would you have from the United States?

MR. KERR: Very few. We used to get a good many more. With a quota on now, and there being no room, we take Canadians in preference. I was just closing by saying that our financial position is becoming increasingly difficult.

It has meant salaries have been static since the beginning of the depression and there is little likelihood apparently of increase, so that men are growing older but drawing the same pay under those difficult conditions.

THE CHAIRMAN: Was there any cut in the pay of the staff during the depression, for instance?

MR. KERR: Oh yes, cuts up to twenty-per cent. We are expecting to restore them, making the first step really this year in some restoration.

I should like to call the attention, also, sir of the Commission, to the action taken by the American Congress nearly seventy years ago, it was in the 1860's as a matter of fact, when the Morill Bill passed the American Congress and that provided several states with the means to establish colleges of agriculture and mechanic arts. Now, for economy's sake those have been largely merged into the state universities and may become faculties of them. The Federal appropriations with respect to that assistance to the state universities on the scientific side, perhaps one might say, the mechanic arts on the scientific side, are at present $34,000,000 per annum. It is my understanding that about a year ago President Roosevelt appointed, it would not be called a Royal Commission, but a very distinguished commission to re-study the further assistance that the federal government might give to state colleges on the scientific side. As far as I know that report was expected to be turned in in January last, but it is not yet available.

THE CHAIRMAN: I think it has been turned in. The President sent a message to Congress within the last month, I think, transmitting the report of the Commission to Congress.

MR. KERR: The last I had seen of it was in the official publication of the United States Bureau of Education and

they were expecting it any time. Moreover, the Federal Government of the United States has by the Smith-Hughes Act --

THE CHAIRMAN: Unless there were two commissions. This was a commission on the relations that should exist between the federal government and the states and how the federal government could assist in providing educational advantages in the states.

MR. KERR: I think that is the one, sir.

THE CHAIRMAN: The President transmitted it to Congress within the past month. I saw the report of the transmission in the New York Times.

MR. KERR: Moreover, by the Smith-Hughes Act Congress set up also a system of cooperation with the states for maintaining vocational and technical education in the high schools of the country, that is, the secondary realm. During the past year the moneys made available by this legislation have been increased by a sum of $14,000,000, a very large amount of money.

I need not remind the Commission either, I am sure, that the United States Federal Bureau of Education has for many years maintained in the general public interests investigative and statistical services of the most impartial and informative kind.

> " Soon after the close of the Great War -- in 1919 -- the Parliament of Canada voted a sum of $10,000,000.00 to be paid over a period of ten years to assist the provinces in the furtherance of technical education. Apparently not exhausted in 1929, the availability of the balance of the fund seems to have been extended to 1939 by later legislation."

Although I found the legislation difficult to follow.

> " It is clear, therefore, that the national

government has already admitted responsibility for assistance to the provinces with respect to technical education in the secondary field,"

and that our great neighbor to the south, and her movements cannot be disregarded as long as seventy years ago, at the time this country was coming into existence, began to give assistance on a generous scale to the several states in the matter of scientific education, particularly agriculture and mechanic arts.

There are one or two considerations only to which I should like to allude just for a moment or two.

" The provinces are at present responsible for the training of all Canadians who are employed in the constantly increasing technical services of the Dominion Government departments."

And yet, the burden of all this training, of all this education, is on the individual provinces, particularly in the case of the state universities. If it were not for the scientific training afforded by the provinces, the expert personnel of the Departments of Agriculture and Health and Mining could hardly get anywhere, unless such institutions were set up for the training of these men, or else they were imported from other countries. We are interested here in mining a great deal because there seems every prospect of an extensive development to the north of the three prairie provinces and we are called upon to provide the expert personnel for the exploitation of the minerals that lie in the Cambrian Shield.

I think the same remark applies measurably to the technical branches of the military, naval and air services, because as we happen to know within the last few days the government has asked recruits for the air services and we sent sixteen men to Calgary the other day to be examined

for the air service. They would be quite useless as recruits if they had not been in our laboratories.

> " The recognition by the Dominion of its obligation to provide facilities for scientific research in the establishment and maintenance of the National Research Council would seem to justify a claim by the universities for assistance from the Dominion for the work of the same character in which they are largely engaged and which is constantly growing and is becoming increasingly important if Canada is to maintain its standing with other progressive countries and perform its best service for its own people."

As a matter of fact, to be fair, and I want to be fair, the National Research Council contributed a total of $26,500.00 last year for research carried on on the University of Alberta campus. Part of this sum, $15,000.00, went directly to employees of the Government of Canada working in our laboratories. One of the arrangements is that we put up the laboratory, provide the laboratory supplies, and the Dominion Government send the men and salary them. The other part, $11,500.00, was granted through the Research Council to aid members of the Uniwersity of Alberta staff to carry on investigations of which the Research Council approved and with which they were cooperating.

This cooperative action just alluded to through the National Research Council seems to me to offer a bridge, on which the Government of Canada has already taken certain action, and it might very readily be expanded with the precedent which already exists.

To recapitulate, I would point out again at the time of the granting of autonomy the province of Alberta, and Saskatchewan also, were left to provide institutions of

higher learning, out of money they did not possess, there was no accumulated wealth. The Legislative Assembly, I am willing to grant, has done its best under the difficult circumstances to provide higher education in this community, and the academic standards, the degrees and diplomas of the university are accepted at par by the leading universities in the English-speaking world. I would just instance Oxford in Great Britain, Harvard in the United States.

I think it may be fair to say that the claims of the University of Alberta for favourable recognition by the Royal Commission are well-founded, in view of the precedent set by the Dominion Government's grant to assist technical education, and one should keep in mind, I think, the action of the federal government of the United States nearly three-quarters of a century ago, and in process of evolution to larger things. And lastly many of us feel that the provincial institutions are footing the bill for the training of the increasingly large number of scientific personnel which the Dominion Government's departments quite rightly require and that this gives us, perhaps, some valid reason for at least stating our case and presenting your Commission, sir, with the facts as we see them. Thank you very much.

THE CHAIRMAN: President Kerr, how do you think this comes within the scope of our commission dealing with Dominion-provincial relations and taxation? Is not this a simple question between the University and the Federal Government, or a question between your province and the Federal Government in reference to a change in financial relations?

MR. KERR: I should say, sir, that the fact that the Government of Canada is already putting $26,500.00 into here every year now indicates that it is not remote from the questions you are examining.

THE CHAIRMAN: My point was we are dealing with questions arising between the Dominion and the provinces and not with claims that may be made, although they may be perfectly legitimate, excellent claims, against the Dominion for financial assistance in respect to various projects, important as they may be. In the other provinces the universities' claim was presented as part of the provincial claim. They said that the province could not carry on and provide the necessary funds to support the University without additional assistance, and it was urged as a basis for readjustment. We have had no such application here up to date.

MR. KERR: From the Government of Alberta?

THE CHAIRMAN: From the Government, you see.

MR. KERR: No sir, but this is done with the consent of the Government of Alberta.

THE CHAIRMAN: You are a Government institution and in both Saskatchewan and Manitoba the universities came forward really as part of the government's case.

MR. KERR: Well, we sir, had to come forward alone or not at all.

THE CHAIRMAN: We do not know officially, at least, that the Government is not in a position to restore your grant to what it was in 1931, 1932, or 1933.

MR. KERR: The university knows that the grant has come down.

THE CHAIRMAN: I am only pointing out what appears to be a rather practical difficulty, Mr. Kerr, it falls within the provincial case. The same situation arises as to the municipalities. It is part of the provincial field of jurisdiction in which there are certain recognized obligations and if there is difficulty in discharging them there may be grounds for a readjustment of the financial relations. However,

the brief will receive our most careful consideration. We thank you for the very clear and precise way in which you have presented it, President Kerr, and I only mention this as indicating what seems to me a practical difficulty in the situation.

MR. KERR: I quite see the point, yes.

THE CHAIRMAN: That will be filed as Exhibit 235. Was there any question you wished to ask, Mr. Stewart?

MR. STEWART: No, my Lord.

EXHIBIT NO. 235: Submission by the University of Alberta.

THE CHAIRMAN: I notice this, President Kerr, you seem to get more from your Government than the University of Manitoba gets from its Government.

MR. KERR: I am sorry for them, sir.

THE CHAIRMAN: So am I. But, I am more sorry for the University of Sasktachewan.

MR. KERR: They are hopeful for a larger contribution, though, as the rains return.

THE CHAIRMAN: The next brief we have is the Edmonton Chamber of Commerce. Mr. Imrie, are you presenting that brief?

Mr. John M. Imrie, Chairman of the Special Committee of the Edmonton Chamber of Commerce, was called.

MR. IMRIE: Mr. Chairman and Commissioners: It is as a businessman, plain and garden variety, representing a group of 410 businessmen of Edmonton, that I would appear before you today.

THE CHAIRMAN: The brief does not suggest the garden variety. It is a very ably prepared brief, whether one agrees with all the conclusions or not.

MR. IMRIE: Thank you very much, sir. May I at the outset express the very great pleasure the Edmonton Chamber

of Commerce derived from the announcement of the appointment of this Commission and its great desire to render any and every possible assistance.

The Chamber appears before you neither as a critic nor as a defender of any government, but simply as a group of businessmen endeavouring to view objectively, as citizens of Canada, the problems that have been presented to you for your examination and endeavouring also, I would like to emphasize this point, to keep in mind at all times both the national and the provincial picture.

The Chamber admits frankly and freely that mistakes have been made within this province, as it submits within most of the provinces of Canada and possibly even by the Dominion itself.

THE CHAIRMAN: That is the charge in every case by the party that happens to be in power.

MR. IMRIE: It applies, however, to mistakes by both parties in power at different times.

THE CHAIRMAN: Quite.

MR. IMRIE: It assumes that these mistakes were of judgment rather than of intent and that the various policies in which they were incorporated were conceived in what was honestly believed at the time to be to the best interests of all concerned.

The Chamber can see no good purpose in attempting to pick out these mistakes, to segregate them and label them. To the extent to which they have been made it is a matter of history. We believe that the course of wisdom is to consider the present and the prospective situation, but always with the knowledge we have of what has gone before, and with the benefit of that experience to endeavour with sincerity, with that foundation, to discover what should be the future policies, the future division of financial powers and

responsibilities, all to the end of a more equitable, a more efficient and less costly functioning of government.

You will have noted that the submission of the Edmonton Chamber of Commerce covers a much wider field than that of similar bodies in other provinces. This, as was explained in the Chamber's brief is because the Legislative Assembly on October 4 last decided against a submission by the provincial government. The Chamber hoped earnestly at the time, and has hoped right up to this day, that decision would have been reversed. In that case the Chamber would have confined its oral submission today to points that were not covered in the provincial government's submission or to points on which there was a difference in point of view. But, we understand that decision has not been reversed and therefore, subject to your pleasure, I propose to summarize briefly the various chapters in our submission. In doing so, I realize that no Chamber of Commerce and no other body in the province could begin to take the place of a provincial government and its submission, because no such body can draw upon the extent and variety of factual matter that is available to a provincial government, but in our desire to assist you in any and every possible way, I shall endeavour, on behalf of the Chamber, if that is your pleasure, to cover the brief as submitted.

THE CHAIRMAN: Do not feel yourself restricted as to time, Mr. Imrie. We will be glad to hear you as fully as you feel is necessary to present the brief.

MR. IMRIE: Thank you, sir. May I say that this brief has been prepared by a special committee of the Chamber comprising eighteen businessmen and has been approved, with minor changes, by a general council of 42 men. Therefore, it may be accepted by you as representing the composite view of a cross section of businessmen of Edmonton. All

statistical references in the brief compiled from official and other sources have been checked by a Chartered Accountant, Mr. Winspear, and all legal statements and interpretations have been either prepared or checked by a Barrister and Solicitor, Mr. Martland. If such is in order, I would ask that the printed brief be accepted as an Exhibit.

THE CHAIRMAN: It will be filed as Exhibit 236.

EXHIBIT NO. 236: Submission of the Edmonton Chamber ofn Commerce.

MR. IMRIE: The keynote of the submission of the Edmonton Chamber of Commerce is to be found in the opening paragraphs of the second chapter of the printed brief, the two opening paragraphs.

> " Confederation, in the concept of the Edmonton Chamber of Commerce, is in essence a vision, a spirit and a purpose. These three elements, in their relation to the future of Canada, far transcend in importance the textual framework of 1867 which they inspired. If they survive as vital and motivating forces it will be possible from time to time to alter the textual framework in order to meet inevitable changes in conditions. If they languish and die no ritualistic adherence to the text of a lifeless document will forstall for long the disruption of Confederation itself."

That is why the Edmonton Chamber attaches so great importance to the spiritual elements in Confederation, the vision, the spirit, and the purpose. And following that, to a recognition that there are changes, that there must be changes and, therefore, to the need of a willingness to consent to these changes to the end that the vision, the spirit and the purpose may be perpetuated.

(Page 5966 follows)

It is no reflection upon the Fathers of Confederation, at least it does not seem so to the Edmonton Chamber, to suggest that the British North America Act as interpreted by the various decisions of the Privy Council is inadequate to the present needs of the Canadian people and the Canadian nation. That it has served long and well, notwithstanding the great and far-reaching changes, is in itself, evidence of the presence of those three spiritual qualities in the hearts and minds of the Fathers of Confederation. However, no statute enacted seventy years ago, having in mind in particular the limited areas to which it was intended at the moment to apply and the comparatively simple economic, scientific and social life of its time, can be expected to anticipate all of the changes which took place, even during that seventy years. Nor, could it expect to fit in to the larger picture of the Canada as it is to-day with its unfortunately more complex economic, scientific and social conditions.

In this second chapter, the Chamber of Commerce reviews some of the changes, some of the obvious changes since 1867. Two of these changes represent changes in the physical field, in the social outlook, and in the field of occupational interest and economics, changes between the early and present concept of the tariff in Canada, and the development of a new concept of federal and provincial relations. Associated with that, there is the development of a new attitude, in certain quarters, towards rights, which, until recently, if thought of at all, were considered to be fundamental rights of Canadian citizenship. Might I stress for a moment, two of those changes which I have reviewed. Neither the Alberta nor the Saskatchewan of to-day had any part in the discussions which preceded Confederation. It is obvious that they could not have had, as they were practically unsettled by

white people at that time. The British Columbia and Manitoba of to-day had comparitavely little interest although some, and yet these four far western provinces contain to-day almost one-third of the total population of Canada. Alberta and Saskatchewan are the only two purely inland provinces of Canada. Even Manitoba has a port on Hudsons Bay, and quite apart from that is sufficiently close to the Great Lakes to derive a very considerable benefit from water competition. The development of Alberta and Saskatchewan present quite a new phase in the growth of Canada, from the standpoint of being the only two purely inland provinces in the Dominion. Might I stress the point made in the brief about changes in the early and present concepts of the tariff. One can recall that when Sir John A. Macdonald presented his so-called "national policy" in 1878, it was primarialy a policy of protection for farmers. He recalled at the time, the position of Canada after the aborogation of the treaty with the United States for reciprocity in natural products. He said that never again would the farmers of Canada be left dependent upon the fiscal policy of another country which they could not control. He said that he would proceed to build up a home market for them in Canada through the development of industry with a consequent expansion in urban population. At that time, only fourteen per cent, or a little more than fourteen per cent of Canada's total population was urban, and the area of proposed industrial expansion through national policy had the same general boundaries as the areas of existing farm settlements. There were no prairie provinces in those days, or practically none. Manitoba, of course, had a small population, but 97 per cent of Canada's total population was located east of the Great Lakes. What a change has taken place since that time!

The change has been both in the relationship between urban and rural populations in eastern Canada and in the expansion from three per cent of the total population of the Dominion in the prairie provinces to almost one-third of the total population. The urban population of the east has increased from a little more than 40 per cent to 60 per cent, I think it is. On the other hand, there has developed in the prairie provinces such a growth of farm population that roughly 30 per cent of the total for all Canada, is located there. It is located very far from the area of industrial expansion that it derives no large degree of benefit from that industrial expansion. It is unable to find in the urban population of eastern Canada, a market for its agricultural products. It is forced to find its markets in other countries over the sea, over the fiscal policies of which Canada has no control.

Looking back over the seventy years, it is quite apparent that no one could foresee or could have been expected to foresee such far-reaching changes in the physical changes or in the changes insofar as social responsibilities were concerned. In the field of occupational interests and in general economics, far-reaching changes have taken place in the concept of federal or provincial responsibilities. One could not have expected them to foresee the new developments, as to what would have been considered fundamental rights. The Chamber submits that if the nine groups in Canada represented by the nine provinces respectively were in conference to-day considering--and were separate colonies as these seven were in 1867--for the first time, a Confederation, how different would be the details under discussion as compared with those discussed in 1867 and the two or three years previous. How different the final conclusions would be as to the division of financial powers

and responsibilities. The Chamber, like many other bodies during this past year, has looked with great hope to this Commission, regarding its appointment as an endeavour to recapture the spirit, the vision first, and then the spirit and the purpose of the Fathers of Confederation. We hope this Commission will recommend such changes as will contribute to a new taxable framework from which the original vision can be realized and the original spirit and purpose can be operated.

Coming now to chapter 3 of the Chamber's submission; the purpose of Confederation as seen by the Edmonton Chamber of Commerce is dealt with in this first paragraph which I would like to read textually. I quote:

> "The purpose of Confederation, as seen by the Edmonton Chamber of Commerce, was to build a strong and united Dominion of Canada within the British Empire, with legislative authority divided as between the federal parliament and the provincial legislatures, but with large and residuary powers and rights of disallowance of provincial legislation and of reservation of assent thereto vested in the central government."

In other words, it was the vision of a Canadian nation, rather than a group of sovereign provinces which, in the Chamber's belief, inspired and guided the Fathers of Confederation. The Chamber of Commerce then points out that immediately prior to Confederation, the four original provinces had been immediately, or shortly before, separate colonies. Two were such at the time of Confederation and two others had enjoyed a legislative union for some time before. It is significant, in the belief of the Chamber, that the two which were eseparate colonies were willing to give up their separate respective status and the two enjoying legislative

union were willing to give up that form of government in response to the suggestion of the Fathers of Confederation that the Dominion extend from sea to sea. The Edmonton Chamber of Commerce finds itself in general agreement with the Manitoba Government as to the division of constitutional responsibility as between the Dominion and the provinces. We are in general agreement, and therefore, we do not propose to review in detail the ground which was convered so adequately in Part II of the Manitoba government's submission. We do venture to stress two or three points in that submission and to present wtwo or three other points. On pages nine and ten of this brief, the Chamber of Commerce quotes from speeches by Sir John A. Macdonald, Sir A. T. Galt, and, Sir George Cartier which, in its opinion , are of great significance to this Commission. There is quoted also, the statement by Lord Carnarvon to which reference has been made at the various sittings of the Commission.

THE CHAIRMAN: Are these statements quote here, the onew which are not quoted in the Manitoba Brief?

MR. IMRIE: I think, sir, all four of those are quoted in the Manitoba brief; we are simply stressing them.

THE CHAIRMAN: They are in the Manitoba Brief, are they?

MR. IMRIE: Yes, they are in the Manitoba brief; we are simply stressing these parts by quoting from the Manitoba brief. Then, as I said, there are two basic conditions of Confederation as tending to confirm these views. The first of these, is the vesting in the federal authority of the power of disallowance, and in the Lieutenant-Governor of the power of reservation of assent. These powers, it is to be recalled, were not limited in their exercise to legislation which was ultra vires. They can be exercised for many other reasons as, for instance, when legislative

assent was not considered to be in the bests interests of Canada as a whole. This power of disallowance and the power of reservation of assent seem to confirm the idea that it was the intention of the Fathers of Confederation to make the federal authority the supreme power in Canada, and to give to the federal authority a just measure of sovereignty which was compatible with the idea of Dominion Imperial relations, as of that date. The second point is the plan of provincial subsidies and the relation between the dollar's value of provincial subsidies in the early days and the total expenditure of the various provinces.

In this connection, I would like to quote from page 11, of the brief, a statement by the Hon. A.T. Galt, Minister of Finance for the united provinces of Upper and Lower Canada immediately prior to Confederation. He said:

> "The outlay of all the provinces being however greater than their local revenues, it became necessary to make provision out of the General Fund for the purpose of enabling their Local Legislatures to carry on the machinery of government. It was proposed to take away from them every source of revenue they possessed except minor local revenues and then to give them from the public chest a sufficient subsidy to enable the machinery to work."

On the same page in the brief there is a table showing, for the fiscal year ending in 1871, as the first in which we were able to find complete figures, the percentage relationship between federal subsidies of the four original provinces, and the total expenditures of those provinces. Those percentages, you will note, range from 51 per cent in the case fof Quebec, to 68 per cent in the case of Nova Scotia.

COMMISSIONER ANGUS: Mr. Imrie, we have been frequently

told, in the various hearings of this Commission, that it was very unsound for one government to spend the taxation which another government raises. Do you think that is confirmed by those figures or otherwise? Are those provinces more efficiently governed when they raise half their revenue or more from taxation which they do not control?

MR. IMRIE: I would not venture to express an opinion on how any province, even my own, is governed at any time. I have no instructions from the Chamber of Commerce on that point. I will simply emphasize the point that, whether it was sound or not, that the original intent of Confederation--from speeches made by the Fathers of Confederation, it is quite clear that their expectation was that the province should have limited powers and limited revenues and that the great bulk of that revenue should come from the Dominion. I think it is fair to say that the provinces have gone a very great distance from that, in the meantime, so that to-day the provincial subsidies bear a very small relation to the total.

THE CHAIRMAN: I think it was in 1904 or 1905, that the total expenditure of the province of Ontario was approximately $5,000,000. You may remember, Mr. Imrie, that at that time the governments vied with each other in order to keep down expenditures, at least, governments in opposition. The opposition criticized the government with being shockingly extravagant when it was spending approximately $5,000,000. It was deemed a government virtue to keep expenditures down. It appears that governments have changed considerably since then., along with the many other changes which have come about, and this virtue of economy in the government does not appear to have been one which has been practised, at least, to the same extent as it was in the first thirty or fourty years of Confederation, either by the Dominion or the provinces.

MR. IMRIE: You will recall that one of the fathers of Confederation, I have forgotten just which one at the moment, relied greatly, in one statement, upon the scrutiny of the people in each province to prevent such additions to the expenditure of the province as would compell heavy taxation by the province.

COMMISSIONER DAFOE: That was a statement made by Sir A. T. Galt.

MR. IMRIE: As the Chamber points out later on in the brief, his expectation in that respect was not realized. The people themselves, I am afraid, have been in part at least, the guilty party. They have urged and insisted upon more and more expenditure, largely in the field of social services.

THE CHAIRMAN: You were speaking, Mr. Imrie, about the power of disallowance as effecting a measure of federal control. In this respect, I recall a judgment of the Privy Council, in the case of Lambe vs. The Bank of Toronto. In that case, the argument was taken that section 92 should be so construed that by no possibility could the legislature interfere with the full exercise by the Dominion of its powers under section 91. The judgment reads in part:

> "It is quite impossible to argue from the one case to the other. Their Lordships have to construe the express words of an Act of Parliament which makes an elaborate distribution of the whole field of legislative authority between two legislative bodies, and at the same time provides for the federated provinces a carefully balanced constitution, under which no one of the parts can pass laws for itself except under the control of the whole acting through the Governor-General."

That is one of the most striking passages in relation to the distribution of powers in any judgment of the Privy

Council.

MR. IMRIE: We did notice you had stated that at one of the previous hearings and it is for that reason we did not include that in our submission, as it was already before the Commission. We are in entire agreement with that point of view.

THE CHAIRMAN: You realize, Mr. Imrie, that by constitutional conventions or custom, the exercise of this power has been limited as will appear from the reports of successive Ministers of Justice.

MR. IMRIE: Is it not a fact, though, that statements are made in the light of certain conditions and in the absence of embarrassing conditions which may have motivated them, we have to interpret them, in the light of unforeseen developments. I think, we have seen that, ever since the statement which you have in mind was made.

The Chamber of Commerce goes on, in this same chapter to suggest that two major developments occurred which changed, in a large measure, the original intention in this respect. One was the change in the concept of social services under which the demand for social services reached a proportion of which no one dreamed in 1867, and the other was the interpretation of the B.N.A. Act by the Privy Council, under which services of that nature were found to be within the power of the provinces. Thus, there developed the anomaly that the Dominion with wide taxing powers was without legislative authority to provide and maintain what are called 'national social services', although this came to be considered as more or less essential. While, on the other hand, the provinces, with certain exceptions, though having the necessary authority had neither the financial resources nor the taxing power to enable them to provide the necessary revenue. On page 12, of the brief of the Chamber of Commerce, there is quoted the statement of Lord Haldane

in reference to Lord Watson. This would seem to throw considerable light on the various interpretations of the B.N.A. Act by the Privy Council. The reference given is as follows:

> "He completely altered the tendency of the decisions of the Supreme Court, and established in the first place the sovereignty (subject to the power to interfere of the Imperial Parliament alone) of the legislatures of Ontario, Quebec and the other provinces. He then worked out as a principle the direct relation, in point of exercise of the prerogative, of the Lieutenant Governors to the Crown. In a series of masterly judgements he expounded and established the real constitution of Canada."

It would seem to the chamber that certain provinces anxious to safeguard their wider powers as set out in this Privy Council decision, but having limited taxation powers, have shown a tendency to go to considerable lengths in devising new forms of taxation. It would seem that some of these new forms of taxation are an encroachement upon the spirit, if not the letter, of the British North America Act. They are such as to create misunderstanding and friction as between individual provinces, and thus militate against a national spirit of national unity. Three illustrations of this are given in the brief, simply as illustrations.

Now, the solution, as the Chamber of Commerce sees it. is to revert, broadly speaking to the original purpose of Confederation and to give to the federal or central authority certain powers and certain responsibilities which the Privy Council has given to the provinces; and to have a reallocation

of financial powers and responsibilities in keeping with resolution number 2 of the Quebec Conference and with the spirit of the speeches quoted above. It is recognized, frankly, that this reallocation will involve the surrender by the provinces of certain taxation powers which they previously enjoyed, but it is argued that such a surrender would be in the best interests of Canada and would be to the advantage of the individual provinces. The provinces would be relieved at the same time, of certain responsibilities which they now have and which are causing them greet strain and stress in some cases. On the other hand, the transfer of these responsibilities to the Dominion would permit, in the Chamber's opinion, a more equitable levy on the people of Canada as a whole.

Passing now, to the fourth chapter, the Chamber of Commerce believes that Confederation was intended to insure for all citizens of Canada, of whatever province, certain fundamental rights of Canadian citizenship.

COMMISSIONER MacKAY: May I interrupt you, just at this point; what taxes have you in mind here?

MR. IMRIE: We specify on page 12 of the brief the taxes to which we refer. We specify in the three illustrations to which I have referred. The first is taxation related to the entire capital of extra-provincial companies, whether used in the province or not; the second is the raising of licence fees to a point which they become in effect an indirect tax; and third, the regulations associated with taxes on consumers that set up something approaching a provincial tariff.

COMMISSIONER MacKAY: Those are the taxes to which you object?

MR. IMRIE: We simply cite them as an illustration of the point which was raised on that page of the brief .

COMMISSIONER MacKAY: You suggest that the return to the original intent of Confederation would involve the transfer of some of the powers of taxation?

MR. IMRIE: Very much more than this, this is simply a list of illustrations., as to how far certain provinces have gone in an effort to augment provincial revenues to meet their rising costs due to an attempt to discharge the heavy responsibility of the social services, which the Privy Council decision has put in the hands of the province. We are talking of the solution , with reference, for instance, to the whole field of social services, barring the addition of one or two other things which will be touched upon in a later chapter. There are suggestions as to the responsibility of social services, specific suggestions are made in a later chapter.

In chapter four of the submission, we deal with the fundamental rights of Canadian citizenship. Confederation was intended to ensure to all citizens of Canada, of whatever province, certain fundamental rights of Canadian citizenship. This, of course, is obvious. Certain of those rights were set out, more or less definitely in the British North America Act. The effect of certain others, to which the Chamber, at the moment, attaches very great importance were not set out. This has contributed to two conditions. The first is the assumption that in 1867 the traditions of liberty and freedom were fixed so firmly as to make unnecessary specific reference thereto. Further, that it had been decided that Canada should follow the lead of the United Kingdom as to the form of the constitution rather than that of the United States, in which some suggested rights were set out in the constitution itself. Therefore, we suggest that such rights are mentioned further on in this chapter, are covered inferentially to some extent, in

that class. In the preamble to the B.N.A. Act, it is said,

> "Whereas the provinces of Canada, Nova Scotia, and New Brunswick have expressed their desire to be federally united into one Dominion under the Crown of the United Kingdom of Great Britain and Ireland with a constitution similar in principle to that of the United Kingdom."

The Chamber has in mind, in this connection, such rights as freedom of speech, assembly, of religion, of access to the courts, of the press, and such rights as the free interprovincial movement of citizens, including the changing from one province to the other, as well as such rights as the interprovincial movement of money, goods and services.

THE CHAIRMAN: Mr. Imrie, are you satisfied that there is not, at present, the fright of free interprovincial movement of citizens? I only raise the inquiry to have you submit an opinion upon it.

MR. IMRIE: As I said at the outset, I am simply a business man of the plain garden variety. I would go this far, sir, and say that the right has been challenged. It has been intimated that a province has the right to control interprovincial movement of citizens, money and other assets.

THE CHAIRMAN: It has been held, as you are aware, that the province cannot exclude a federal company from doing business in a province. It might impose license fees upon it the same as it would in any other company. I have wondered why that principle would not apply to individuals coming into the province. I do not know, at all, the question just occurs to me, and so I raise it.

MR. IMRIE: I had in mind, not so much the companies, but individuals. It has been suggested that a province should have the right to prevent citizens leaving that

province and taking with them into another province, their assets. It would seem to the Edmonton Chamber of Commerce that any such claim is contrary to the spirit of Confederation. To the Edmonton Chamber of Commerce, it is inconceivable that Canada could remain for long as a strong and united Dominion or a contented nation, if one or more of its provinces were to restrict substantially such fundamental rights of citizenship as those which have been expressed. Every citizen of Canada, in whatever province he may reside, has certain responsibilities under his Dominion citizenship. He has, as well, certain responsibilities under his provincial citizenship. These responsibilities require, broadly speaking an approximate uniformity of fundamental liberties throughout the Dominion. It is pointed out in the brief that if, for example, the freedom of speech or assembly were to be suppressed in one provinces, the citizens thereof would be unable to exercise properly and adequately their functions as citizens of Canada. If they could not discuss freely-- it is through discussion and reading that public opinion is formed. Public opinion must be formed on Dominion matters as well as provincial matters, and if one province were to restrict the freedom of speech or assembly, then it is a barrier, it is suggested to the exercise of Dominion citizenship. So we go on to say, that it seems impossible that one part of Canada could have freedom in this respect while another part was subject to restrictions which, if carried to an extreme, might represent an approach to vassalage.

THE CHAIRMAN: On what page of your brief is this representation contained?

MR. IMRIE: It is on page 13, Mr. Chairman.

COMMISSIONER ANGUS: Would you contend that legislation by the Dominion might prevent citizens of a province becoming

good citizens--it would be incompetent legislation?

MR. IMRIE: You must consider, basically, whether we are to have a group of nine sovereign bodies, or a central authority. Your answer to the first question is dependent upon the answer to that consideration., the choice that is made as between those two alternatives. The Chamber of Commerce has already shown that its feelings are for a strong central authority. I think there is, at least, at the time a restriction for the federal authority to interfere in the exercise of the provincial citizenship than there is for provincial authority to interfere with the exercise of federal citizenship.

(Page 5985 follows)

COMMISSIONER DAFOE : Has your chamber given any thought to the incorporation, in an amended constitution, of fundamental principles such as are embodied in the United States Bill of Rights?

MR.IMRIE: Yes, the Chamber gave a good deal of thought to it, and there was a good deal of discussion about it as to which was the better course. The reason for favoring the course argued here, instead of the alternative, as in the United States was, first; that this is a British Dominion, and the British principle is to uphold the supremacy of Parliament, and to have Parliament free to make such changes as they deem necessary from time to time. The second point was, to have these rights embodied formally and fixedly in a constitution, might lead to embarrassment and danger in a time of war or other great calamity. The third is, that the Chamber was not altogether satisfied with the way this matter was working out in the United States, where these things are definitely fixed in the Constitution. But we suggest here that one of the reasons for the provision in the B.N.A. Act for disallowance by the Governor-General in Council of provincial legislation, was to safeguard fundamental rights of citizenship , which, in some countries, are protected in the Constitution itself. The Chamber submits that the power of disallowance was intended by the Fathers of Confederation to be exercised vigorously where necessary, in the interests of the Dominion as a whole. And we quote from a statement of Chief Justice Draper. There is a typographical error; I wired the Secretary of the Commission at Ottawa, asking him to have it corrected, - the word "material" should be "natural".

THE CHAIRMAN : That is obvious.What is the volume in Grant's Report?

MR.IMRIE: Volume 19, page 366, at page 384:

"The Governor-General - (I presume, in Council) is entrusted with authority to which a corresponding duty attaches, to disallow any law contrary to reason or to natural justice or equity."

THE CHAIRMAN: What was the issue involved in that case, do you remember?

MR.IMRIE: I am sorry, sir, I cannot state it.

I will go on. Further, the Chamber recommends that the power of disallowance be exercised by the Governor-General in Council as a matter of constitutional duty for the purpose of preserving and maintaining fundamental rights of Canadian citizenship, including , but without restricting the generality of the foregoing, freedom of speech, of assembly, of religious worship, of access to the courts and of the press.

COMMISSIONER ANGUS: Mr.Imrie, are you not there asking the Governor-General in Council to perform a duty which is almost judicial in character, or to perform it in a judicial spirit? What I mean is, it is eminently a political body which has to perform this function, and are they not bound to be influenced by the voting strength of the province with which they have to deal? Are they not more likely to take a strong line against a small province than against a large one?

MR.IMRIE: I would hesitate, as a mere witness, to impute that possibility to any government, on either side, but it seems to me that Provincial Legislation that is ultra vires does not need the protection of disallowance; it can be left to the Courts. If it is ultra vires the courts can handle that. Where the need of disallowance arises is in legislation, often of an entirely new and unexpected character, which may not be technically ultra vires, but which, at the same time, may be contrary to the larger and best interests of

Canada. Or, in the words of Chief Justice Draper, "Which may be contrary to reason or to natural justice or equity".

COMMISSIONER ANGUS: I am merely asking whether disallowance is an adequate protection, in that case. You may take a horse to water, but you cannot make him drink. On the assumption it is exercised with complete impartiality in every case, is it the best form of protection?

MR.IMRIE: That very question was involved in the discussions at two or three meetings within our Chamber Council and Committee, on the point that the Honorable Chief Justice raised. We had considered two ways, there were the two ways of dealing with the situation. One, by putting it in the constitution, to which there are a number of obvious objections; and the other, by having revived as a constitutional duty, the exercise of disallowance. Now, we recognized that there are possible weaknesses in that, but we think, with all things considered, it is the wiser and the safer course of the two. It seems hardly likely that a federal body, representing as it would each of the nine provinces, is going to be in the same danger that possibly a provincial body might be, of being swayed by a situation that might be there for a few years and might not be permanent.

COMMISSIONER DAFOE: You would take a chance?

MR.IMRIE: We prefer to take our chance on the power of disallowance being regarded as a constitutional duty, to be exercised in the spirit of Chief Justice Draper's statement,

COMMISSIONER SIROIS: Not only a right, but a duty.

MR.IMRIE: A duty, sir, a duty as well as a right.

Chief Justice Draper used that word "duty", -"To which a corresponding duty attaches".

The Chamber further submits that such matters as the inter-provincial movement of citizens, including change of residence from one province to another, and the inter-provincial movement of money, goods and services, should be subject to the exclusive legislative jurisdiction of the Dominion. It recommends, therefore, an amendment of the B.N.A. Act to insure control by the Dominion of these matters, such amendment to include a re-definition in broader terms of the Dominion's power to legislate in respect of trade and commerce.

THE CHAIRMAN: I notice, Mr.Imrie, that Chief Justice Draper's judgment in that case is a dissenting judgment, but I do not know whether on a superficial perusal of the judgment it turned on the particular point to which you are drawing attention. I assume however, we may take this statement in the judgment to represent your views?

MR.IMRIE: Yes.

THE CHAIRMAN: Whether it is represented in the majority opinion of the Court or not, you say it is a sound view, and you support it?

MR.IMRIE: As you say, sir, the judgment itself did not hinge upon the particular point. We are simply taking one sentence which expresses an opinion on a broad principle, and which seems to put that opinion in better words than we could choose ourselves.

THE CHAIRMAN: You were speaking, Mr.Imrie, of the rights under the British Constitution; it was never thought that they would be interfered with. Of course, in England the struggle was historically between the Crown and Parliament. Magna Carta was a restriction of the powers of the Crown. I am reading from Volumber 6 of Halsbury's Laws of England, Second Edition, page 450 :

"The Crown or its ministers may not punish, imprison, or coerce the subject in an arbitrary manner. No freeman may be taken or imprisoned, or dissoised of his freehold or liberties or free customs, or be outlawed or exiled, or in any other wise molested. Nor may he be judged or condemned except by the lawful judgment of his peers, or by the law of the land. Nor may justice or right be sold, denied, or delayed to any."

That was a restriction on the Crown. Of course, your argument is that it was not assumed that Parliament would deny those rights; if they restricted the power of the Crown to interfere, the subject would be reasonably safe.

MR.IMRIE: Yes, coupled with the long period that it represents since there had been active interference in Great Britain, except during the time of war or other great emergency, with these fundamental rights; coupled also with the fact that the British Constitution involves the point of tradition and of - it is not practice, but some other word, - to a greater extent, for instance, than does the United States Constitution.

COMMISSIONER DAFOE: Of course, the difference between embodying a fundamental right in a constitution, subject to revision and change, and leaving it to the judgment of Parliament is that you make it theoretically possible for those rights to be removed, as a result of some temporary/emotional movement. After all, the powers of Parliament are exercised by political parties with respect to fundamental rights, - part of one's constitutional rights. It is for that reason that I think it ought to be a community right, only to be removed by some community effort such as would be involved in the

modification of a constitution, rather than by a single act, by powers invested in a political party, subject to all political temptations which we know parties are subject to. There is no absolute protection, of course, but it is not nearly so unsubstantial.

MR.IMRIE: There was a school of thought within the Chamber which held tenaciously to that view, there was a school which held to the other view. These things are settled on a majority basis.

COMMISSIONER DAFOE: And you submitted to the majority view, of course?

MR.IMRIE: Yes. I am here on behalf of the Edmonton Chamber of Commerce.

THE CHAIRMAN: Mr.Imrie, is not the "Due Process of Law" clause in the United States Constitution one of the principal grounds of criticism of the provision of Fundamental Rights? I am inclined to think it is. It is said that courts apply this clause with very far-reaching results, and there are a good many critics of that provision in the American Constitution. That criticism would not apply to specific fundamental rights, such as freedom of speech and assembly, and matters of that kind, usual in constitutions where those fundamental rights are defined. There are provisions, of course, in times of war and national emergency for dealing with them. I just point these considerations out without having formed any opinion myself as to what should be done. I am trying to keep an independent mind until I have heard everything that everyone has to say on the question.

MR.IMRIE: If I may say a word on that, the effect of the "Due Process of Law" clause was discussed by two or three of our legal members, and it was recognized that there were provisions for dealing with emergencies

in somewhat different ways, but as I said a moment ago, it was a situation in which there was a conflict of opinion, but the majority of the council decided that this should be our submission, and authorized me to state frankly that there was that difference of opinion, because they suspected that the point would be questioned here.

If I may revert to Commissioner Dafoe's question, it was recognized that even the Federal Department might be swayed by a momentary or ephemeral situation that would tend in the direction of depriving citizens of certain of these rights, even in times of peace, or lack of other emergency. But the school which favored the submission made, argued that we should be realistic, that we should recognize that under our system of democracy our parliament is the supreme body, subject only to the Constitution; and that if there were such a movement across Canada, to such an extent as to cause a political party in power at Ottawa to make these changes in fundamental liberties, - well, we are part of Canada and individually we would have to submit to that; and that the risk there was lesser, in the opinion of the majority, than that under having these liberties embodied in the constitution. And that, further, as a Dominion of the British Empire we should follow the lead of the Mother Country in that respect.

COMMISSIONER MacKAY: You do not propose, Mr.Imrie, that the disallowance clause of the B.N.A. Act should be enlarged to declare that the Governor-General in Council should disallow legislation in the interest of fundamental rights; or do you simply say, let the disallowance clause stand as it is?

MR.IMRIE: We have no submission as to a change

but our submission is as to the practice. We believe the disallowance provision is adequate if it is exercised, but we are aware of the change that did develop in the practice as to its exercise, and we suggest that whatever justification for that change which there might have been at the time, the state of conditions today, - the uncertainty in various parts of the World, calls for the re-establishment of the exercise of disallowance as a constitutional duty as well as a privilege in this field of preserving certain fundamental liberties. We do not restrict it, in our submission, to that field, but without lessening the generality of the recommendation, we submit in particular that it is to be used for that purpose in that field.

COMMISSIONER MacKAY: What you recommend is a change in Dominion policy?

MR.IMRIE: I am afraid if I agree with that I may be ruled out of order, may I not? I think Dominion policy is one thing we may not criticize. We simply assert that it should be revived, - the exercise of that power.

Then, as to the recommendation regarding inter-provincial movement, we suggest that it be handled by a definite amendment to the B.N.A. Act. Now, at this point, the Chamber begins to deal with Alberta in particular. Chapter 5 deals with the pioneer work in this province, and the nature and general argument of this chapter are pretty well summed up in this opening paragraph, which is as follows:

> "Alberta as an individual province within Confederation, is performing, in the opinion of the Edmonton Chamber of Commerce, a work of great national importance and value. That work consists in part in opening up for settlement a vast area of potentially productive land, in providing local

government, courts of justice, roads, schools and other public services for a pioneer people and in assimilating into the citizenship of Canada large numbers of other countries and races."

There follows a more or less detailed history of the growth to date of Alberta, with which I will not weary you orally, but which I would commend, if I may, with all respect, to your very careful reading.

THE CHAIRMAN: 1901, you do not know what the census was ten years earlier?

MR. IMRIE: It is available, but it is not in this submission. That was the last census before the incorporation of the province, and that is why it is selected.

Prior to 1905, Alberta, as you well know, was a provisional district of the North-West Territories, governed directly from Ottawa, with the limited assistance of a local assembly, with limited powers. When it became a province in 1905 its unalienated lands, mines, water powers and other natural resources were reserved for the benefit of the Dominion as a whole, and this reservation continued until 1930. During the interval, that is to say, during the first twenty-five years following the incorporation of this province, natural resources were under the control and administration of the Dominion, from Ottawa. The full provincial status of Alberta was not secured until 1930, only eight years ago.

Settlement commenced some sixty to seventy years ago, - that is during the early Seventy's of the last century. Free homesteads was the great magnet that drew settlers. By 1901 the population had grown to 73,000. Every quinquennial census since that time has shown an increase, and at the last census in 1936 the population was almost exactly

ten-fold greater, - 772,000. It is to be noted that settlers came from all parts of the world. The Federal census of 1931 showed that approximately one half of Alberta's population at that time was of British origin, the other one half, comprising some twenty-two races or nationalities from Europe, with a sprinkling of Asiatics and a somewhat larger number of North American Indians. Obviously, this great mixture of nationalities and of races added greatly to the complexity of, and I might say, to the cost of social work of the province. It enhanced the costs of local government, as compared with those in an area having a more homogeneous population. But the gradual education and assimilation of these various peoples into the citizenship and life of the Dominion represented, it is submitted, a further contribution by this province to the Dominion.

Alberta's population has been at all times, and is still, preponderantly rural, although the percentage of urban has been increasing. The figures that are given on page 16 show that the percentage of urban has increased more or less steadily from 26% in 1901 to 38% in 1936. That latter figure is a little misleading, because, on account of the depression, there was quite an inflow from the rural areas to the cities, where relief was being given on a more regular and generous scale. But for that feature, I do not think the percentage of urban would have been quite as great, although as I refer to page 16, I see that it was exactly the same percentage in 1931.

THE CHAIRMAN: And in 1926.

MR. IMRIE: And in 1926; which illustrates the danger of having an afterthought before you have had time to look it up and check it with the figures.

Prior to 1930, there were few restrictions on the location of settlers. Within the limits of remaining unalienated lands they were permitted, broadly speaking, to go wherever they chose. Alberta is a very large province, seven hundred and fifty miles from north to south, and three hundred and twenty miles at its widest point from east to west, and with an area of 255,000 square miles. Many of the new settlers came from congested areas in other countries. They were lured by the open spaces of the West, and were determined to get out here, away from congested settlements. Others, again, were lead to go to far off places, in some cases, because of a belief that climatic or soil conditions were better; in other cases, because of a belief that railway development in that direction would shortly take place. Thus, for these and other reasons referred to in the brief in greater detail, there came about gradually a far-flung distribution of 772,000 people over an area of 255,000 square miles. This, of course, involved both a low density in population and a high per capita cost of public service. Homesteads were granted, for instance, in the Fort Vermillion country, roughly 500 miles north of Calgary, at a time when the nearest railway was at Calgary.

THE CHAIRMAN: There was not much settlement out there at that time?

MR.IMRIE: No sir, but there was when Edmonton was the nearest point, or I believe Edson was closer. But even Edson was 250 or 275 miles away at that time, when there was quite an active settlement. There was this settlement in a far-distant area in expectation of early railway development, because you will recall the early plans of the G.T.P. contemplated a line straight through

what is now the Peace River Country. It would have made that country by far the closest to tide-water of any large grain producing area in Alberta.

On pages 16 and 17 of the brief are quite a few figures showing expenditures on used surveyed roads, education, northern railways, telephone lines and irrigation. I take it you do not wish me to read this?

THE CHAIRMAN: No.

MR.IMRIE: These are mentioned simply as indicative of the high cost per capita of public services in a pioneer area where settlement is sparse and widely distributed.

THE CHAIRMAN: During this period of settlement were not all Ministers of the Interior who were responsible, western men?

MR.IMRIE: During the period of most active settlement in the West, both Ministers of the Interior were western men, but in the next chapter I will quote, with your permission, certain of their public statements in Parliament, which show clearly that there was a conflict of interest as of that time, between federal policy and the policy which might be expected of a provincial government. Those statements, - two of them at least, - were made in direct relation to the question of transfer of the natural resources to Alberta, the new province, and they were speaking, not as Westerners but as Ministers of the Interior, representing undoubtedly the composite view of the government of the day.

As I say, in this chapter we are not attempting to set up anything in the nature of a disability; it is simply a review of the actual growth, without any suggestion of disability. The next chapter contains a certain suggestion of disability.

The burden of providing these services has been all the more heavy because of the meagreness of industrial development and of wealth in individual hands. Agricultural production during all these years, more so in earlier years than now, formed, by long odds, the preponderance of total production. Figures are given on page 17, showing net production of all industries, net production of agriculture, and percentage of the latter to the former, for the past eleven years. They indicate that on the average over that period the net value of agricultural production constituted two thirds of the net value of total production. These are official figures, but even though official figures, are a little misleading because included in the net value of total production is the value of very small industries, located in villages and towns that are simply advancing by one stage, the process of agricultural production. If one were to eliminate the value of that very junior form of production, the percentage of agricultural production would be still larger.

It is a matter of comment, evidenced by income tax figures and in other ways, that farm operations do not provide, in themselves, a substantial taxation base. In Alberta most of the wholesale trade, a goodly portion of the retail trade, and of manufacturing and practically all banking, trustee, insurance, and other financial business has been controlled by firms and individuals located outside of the province. Nor has there been time for an accumulation of large estates which would provide substantial revenues either in income taxes or in succession duties, and thus Alberta, in doing the pioneer work described in this chapter, has been unable to draw upon as varied or as substantial a base of taxation

as exists in the older provinces. On the other hand, Alberta has made, throughout this whole period, a large contribution to the business, the purchasing power, and the prosperity and the taxation base of other Canadian provinces. This is dealt with in part of this chapter 5 under review, and is dealt with more fully in chapter 14.

Suffice it to recall, - and I do so as one who at that time lived in Eastern Canada, - Eastern Canada received its first great stimulus to industrial development with the opening up of Alberta, in common with Saskatchewan, and the further development of Manitoba, during the first thirteen years of the present century. In more recent years, particularly during the past six or seven, their contribution has been less spectacular and has been over-shadowed, to some extent, by the mineral and forest products development. But Alberta, in common with the other two prairie provinces, has continued even in these depression years, although admittedly to a much lesser degree, to be a source of purchasing power, of prosperity, and of taxation base to the other provinces. Their true worth in this respect will be evident again, I am confident, as and when climatic and other conditions out here improve, - as pressing problems within these provinces are settled, and as purchases by other countries of manufactured goods in Canada, related to rearmament, subside.

Now, at this point, with your permission, I would like to deal with certain disabilities under which it is claimed Alberta is labouring. May I add an observation that is promoted by a radio address which was given last night by a former member of the Alberta Government, Honorable Irene Parlby, in which she stressed the point that a continued sense of injury in any area is not a

good thing in any democracy, - which, of course, is obvious, and which has a direct relation to the next few chapters of the Chamber's brief. A sense of injury, whether real or fancied, tends to embitter people, tends to embitter areas, and I take it that one of the varied purposes of this Commission is to bring such things out into the open, where they can be analyzed, -where the wheat may be separated from the chaff, - where the real may remain, and the fancied may be forced to retire.

Now, in the next four chapters, that is to say in chapters 6, 7, 8, and 9, the Chamber presents what it claims to be certain disabilities of Alberta. In the next ensuing chapter there is developed a claim as to the effect of certain of those disabilities, and in the chapter following that there is argued a further temporary disability during a portion of the depression.

THE CHAIRMAN: Mr.Imrie, it is now four-thirty, and we will hear you further tomorrow morning at ten-thirty.

--- The Commission adjourned at 4:30 P.M. to resume at 10:30 A.M. Tuesday, March 29th, 1938.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

29

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George Thompson
John Robertson
David Torry

EDMONTON, ALBERTA, MARCH 29, 1938

REPRESENTATIONS BY THE EDMONTON CHAMBER OF COMMERCE

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EDMONTON, ALBERTA, MARCH 29, 1938.

TOPICAL INDEX

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

EDMONTON, ALBERTA, MARCH 29, 1928

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Court House, Edmonton, Alberta, on Tuesday, March 29, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS	Commissioners
JOHN W. DAFOE, Esq.	
DR. ROBERT ALEXANDER MacKAY	
PROFESSOR HENRY FORBES ANGUS	

Commission Counsel:

James McGregor Stewart, Esq., K.C.

Secretariat:

Adjutor Savard, Esq.,	Acting Secretary
R.M. Fowler, Esq.	Legal Secretary to the Chairman of the Commission
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE EDMONTON CHAMBER OF COMMERCE:

Mr. John M. Imrie	Chairman of the Special Committee.
Mr. Frank Pepper	Chairman of the Transportation Committee.

Court House,
Edmonton, Alberta,
March 29, 1938.

MORNING SESSION.

The Commission met at 10.30 A.M.

THE CHAIRMAN: All right, Mr. Imrie, you may continue.

MR. IMRIE: Mr. Chairman and Commissioners: At the adjournment hour yesterday I had just finished dealing with that chapter in the brief, number 5, which has to do with the pioneer work in Alberta. If I did not make this point clear yesterday, I would like to make it clear now. It is not suggested by the Chamber of Commerce that the circumstances reviewed in Chapter V constitute any claim for disability. Those circumstances are more or less natural to any pioneer community.

This morning, commencing with Chapter VI, I would like to deal with certain submissions, which in the submission of the Chamber of Commerce do constitute a disability on Alberta. The first of these has to do with certain national policies associated with the acquisition of the early settlement of Alberta. Now, in referring to those polidies, the Chamber recognizes quite frankly that it is doing so with the hindsight which so often, as it always should be, is more clear than foresight. Once again, may I stress the point, that the Chamber of Commerce is not suggesting that any of these policies were conceived in other than what was believed to be the best interests of all concerned. The Chamber of Commerce feels justified in reviewing them today and in dealing particularly with the effect they had, however conceived, on Alberta as an individual province.

The first policy to which I would refer is that which had to do with the railway land and subsidies. The total railway land subsidies in Alberta as finally earned and definitely transferred --

THE CHAIRMAN: What section is this?

MR. IMRIE: Section VI; I am sorry I did not mention the page No. which is No. 19. The total railway subsidy land in Alberta as finally earned and definitely transferred amounted to 13,120,000 acres. That figure exceeds by 5 per cent the total area sown to field crops in 1936. May I repeat that statement? The total acreage as finally earned and definitely transferred in this province as railway subsidy land exceeds by 5 per cent the total acreage sown to field crops during the year before last, 1936.

THE CHAIRMAN: You must have a good deal of land which is cultivatable which was not sown to seed crops last year?

MR. IMRIE: Oh yes, sir, almost double the land sown to field corps was more or less under cultivation. It was, at least, under the heading of operative farms. A good deal of it is pasture land, of course, and obviously would not contribute anything like the same revenue as the land which was sown to field crops. The effect of spreading out settlement was even very much greater than the comparison would suggest. This is so, for three reasons, in the main. The first is that the original reservation was on a much larger scale, and in the second place, in many areas every alternate section of land was reserved. The third reason is that for several decades after original reservation the area reserved exceeded by many times the total area under cultivation. It exceeded by many times, not simply the area sown to field crops, but the total area under cultivation. Then, with the surrender of Rupert's Land to the Dominion by the Hudson's Bay Company, there was reserved without condition as to future settlement, one-twentieth of every township in the prairie provinces south of the North Saskatchewan River. This involved in Alberta an area of some 2,201,184 acres of land. There are two other features of these early arrangements as to settlement

which should be mentioned at this point. One was the inclusion of mineral rights with the land subsidies in many cases. Then, too, the agreement between the Dominion and the Canadian Pacific Railway Company provided that its subsidy lands were to be free from taxation either by the province or by any municipality. The nature of this agreement and the subsequent modifications of it are set forth on page 20 of the printed brief. Now, if these land subsidy exemptions had been for the benefit of Alberta alone and had been granted by Alberta when in full control of its natural resources there would be no occasion to introduce the subject in this submission. They were given, however, in part, towards the construction of the main line of the Canadian Pacific Railway, which main line had a greater mileage outside of the prairie provinces than within them. It admittedly was a work of great national importance, and this land was given at the time when control of natural resources was vested in the Dominion. Therefore, the gift was not that of Alberta. Two further reasons for the scattering of settlement in Alberta ---

THE CHAIRMAN: Mr. Imrie, just before passing from this railway land -- how can you say that some policy connected with the opening up of the North West Territories long before the province was created could affect the relations between the Dominion and the provinces?

MR. IMRIE: May I point out, sir, that the effect of what was done has continued during the period since incorporation, is continuing and will continue. For instance, in the matter of mineral rights; you are well aware how that is operating today and it will continue to operate that way. In the submission of the Chamber of Commerce this is a definite embarrassment and a definite added cost as well as a definite lessening of the taxation

base of this province.

Reverting to 1905 the population of Alberta as of that date was about one tenth of the population of Alberta as of today. I think it may be said with all fairness that Alberta had little choice as to what was to be handed to it. Obviously, there could be handed to it only what was left, and even that was subject to the conditions which had been associated with what had been given away, where rights or exemptions had been granted. It does not seem to the Chamber of Commerce that if, as we claim, that was done largely in connection with the work which was obviously a work of national importance and for the benefit of Canada as a whole, the effect of this, insofar as land subsidies and tax exemptions are concerned, should be made upon the three prairie provinces. It has a direct bearing on the position of the three prairie provinces in relation to the Dominion and in relation to the other provinces. At least, that is our position, whether it is tenable or not.

I come now to the two further major reasons -- you will pardon me if I make further observation on that fact to which reference has just been made. We are not concerned in this submission with the value of the land which was granted. We do not raise that point at all. We are concerned only with the effect of the policy intending to create a widespread distribution of a comparatively small population which tends to increase the per capita cost of administration of government and other public services. The cost would have been great, in any case, in a pioneer community such as this. Our submission is that it was increased greatly by certain policies that enured to the benefit of all Canada. Therefore, the excess because of these policies in Alberta is a matter to be considered in Dominion-provincial relations.

Two other major causes of this scattering of settlement are given on page 20 of the printed brief. One of these causes was the absence of effective restrictions by the Dominion on the location of homestead entries and pre-emption rights. Another cause was the opening up to homestead entry and pre-emption rights in 1909 of the whole area of sub-marginal land in southern Alberta. May I ask you to note with special care the argument which is presented towards the close of page 20 and which continues on page 21 in its entirety. This argument has to do with Alberta's drought area problem and with the fruitage which has come from these conditions.

As I mentioned yesterday afternoon the early settlement began some sixty or seventy years ago and it was in the southern portion of the province, in the foothills of the Rockies and the southwestern portion. Whether by good luck or by kindly providence, it first took the form which was ideally suited to the climatic and soil conditions of that area. The early settlers went in for ranching. Their wealth was based upon the tens of thousands of cattle roaming the prairies in that section of the country and gaining nutrition from the natural short grasses of these prairies. It might be, although I do not stress this point, that they had in mind the warning which had been given by Palliser, Hind and others, but in any case they went in for the type of farming ideally suited to the conditions existing. This continued, in the main, up until 1887. Then, in that area, for the first time homesteading was permitted within the areas of grazing leases. Up until 1887 and for some time thereafter the ranching industry flourished, protected by federal regulation as to the number of cattle per acre. This was done to conserve the grasses. Gradually, partly because of this permission to file homestead entries within

grazing leases and partly from the sales of subsidy land. In this manner there grew up some measure of ordinary farming as distinct from straight ranching. Finally, in 1909 the whole area of southern Alberta, the whole area of that submarginal land was opened up for homestead entry and pre-emption rights.

COMMISSIONER DAFOE: Largely as a result of community pressure, was it not?

MR. IMRIE: I admit, frankly, that community pressure contributed, but a start in that direction had been made in 1887 when the Dominion Government permitted homestead entry within areas of grazing leases.

COMMISSIONER DAFOE: I remember in 1905 the Dominion Government issued regulations which would have protected that country from any further invasion of homesteaders, and it became an issue which was furiously discussed. It was not until 1909, after the Dominion Government had withstood the fire in the general election that Mr. Frank Oliver, who was an Alberta man and Minister of Interior, threw up his hands and opened up that area to homesteading. I do not know whether that has any bearing upon the present problem, but it is a factor of the situation which I think ought to come into the picture somewhere.

MR. IMRIE: I admit, frankly, that there was some pressure. I suggest, however, that there was also a great deal of opposition in Alberta from the people who knew the dangers associated withthat subject.

COMMISSIONER DAFOE: The ranchers, of course, were against it, but they were discounted as interested parties.

MR. IMRIE: There were others, in addition to the ranchers, who were against it.

THE CHAIRMAN: Of course, in connection with that condition, no one knew the conditions better than Mr. Oliver.

No man was more familiar with the conditions in this province than Mr. Oliver.

COMMISSIONER DAFOE: This is to be said for Mr. Oliver, through the Dominion Campaign of 1908, he stood to his guns stoutly. Then, in the face of the pressure which was exerted, he threw up his hands, and said, "Well, we will open it up." However, as I say, the situation as it is, is what it is. I do think the facts ought to go into the record in some way.

MR. IMRIE: Far be it from me to pass any reflection upon the memory of the Hon. Frank Oliver, for whom I had the very highest regard and respect. I suggest, that the responsibility for a subject which was Dominion, could not be placed upon any one minister at this time. The complete control of the natural resources of Alberta was in the hands of the federal government and in the principle of cabinet sovereignty, I am afraid the Dominion must accept a goodly measure of responsibility for what was done. The fact that an Albertan happened to be the Minister of Interior at the time is not a release of responsibility from the Dominion as such.

THE CHAIRMAN: Mr. Imrie, is there any reason to doubt that if the resources had been in the possession of the province, that the provincial government would not have been subject to the same pressure to which Mr. Oliver was subjected, with the same results.

MR. IMRIE: I think it is fair to assume that the same pressure would have been asserted, but the provincial government, being close to the picture, might have been able to appraise more accurately the relative degrees of pressure. There has been, as I will develop shortly, a conflict of interest as between the Dominion and the province which has continued for a long time in connection

with the opening up of Alberta. Two successive ministers, one a Minister of Interior, stressed and admitted frankly that there was a conflict of interests in Alberta. Alberta, as a provincial body, would have to meet the costs of what might result from that, and Alberta, as a provincial body, might conceivably have looked further ahead to estimate the costs than was necessary in the case of the Dominion.

THE CHAIRMAN: You think some of the enterprises in which the government engaged would indicate that it would have looked further ahead than the Dominion did?

MR. IMRIE: As I have already stated once, I am not here to criticize any government, federal or provincial. Governments, like human beings, are subject to a great many frailties, and that applies to all.

THE CHAIRMAN: I am only suggesting that to my mind, in all probability, the same causes which operated in the one case would have operated in the other.

MR. IMRIE: May I point out that the Government of Alberta, during the first seven years, had incurred a total debt of only $2,000,000. It was absolutely free of debt during the first four years, and only one year in its first seven, did it go into debt. Such a record is not bad for a new provincial government in a pioneer province.

THE CHAIRMAN: The backsliding came a little later, did it?

MR. IMRIE: A little later, but it is suggested that such things as resultant causes might have entered into the picture at that time to a greater extent than later on. In 1909, 1910 and 1911 the farm system in this area was quite a brisk ranching, but this gradually gave way to land farming. The crops secured, at first, were good and attracted other farm settlers.

Then, during the war came the appeal for the production of

wheat in western Canada. This appeal was made in advertising, in pamphlets over the signature of the Dominion Government. It was put up to the farmers of the prairies that perhaps the greatest duty which they could perform at that stage of the War was to increase the wheat production. Unquestionably, the price at which wheat was selling acted as a stimulus in this direction. In any case, it is quite true that during the four years of the war the acreage sown to wheat in Alberta was more than doubled. The great bulk of the increase was in this area of submarginal land. Large ranch after large ranch was broken up, partly in response to this patriotic appeal and partly, I admit frankly, in response to the monetary inducement. The net result, I think, must go down as one of the economic and social tragedies of the War.

THE CHAIRMAN: Mr. Imrie, how many acres would be contained in this area in which you suggest the acreage was more than doubled?

MR. IMRIE: The acreage increased from 1,669,076 to 3,892,489, during the four years.

THE CHAIRMAN: How much is sown in wheat at the present time?

MR. IMRIE: I think it is around seven or eight million acres. I am speaking from memory, but I will check that. Much of this land was simply ideal for grazing or ranch purposes, but the grass which we destroyed to make wheat, for wheat production, cannot be re-grown. At least, science has not yet discovered how to regrow this grass which was the product of centuries and which once destroyed, cannot now be restored. Years of drought came to this area after the war. The census of 1926 showed that in one census division, 55 per cent of the farms had been abandoned during the preceding five years. There was much

resettlement of abandoned land and much repeated abandonment. The census of 1936 showed that in the southeastern quarter of Alberta 9,298 farms had been abandoned permanently. Many of these had been resettled two or three times and those finally abandoned numbered 9,298.

THE CHAIRMAN: Are those in a definite area and are all farms through that area now abandoned? Are there still some settlers in most of the area?

MR. IMRIE: In most of the area there are still quite a number of settlers. There are certain small areas where there is almost complete abandonment. But in other areas there is still some settlement and some abandonment.

THE CHAIRMAN: Where settlers do remain, are they able to secure a good crop or are they just holding on?

MR. IMREE: They are largely supported by the province with federal aid.

THE CHAIRMAN: That is during these last four or five years, is it?

MR. IMRIE: Yes, I would not want to create the impression that the figure of 9,298 farms, large as it is, means that the total area has been abandoned. I am speaking now, from memory but there would be approximately 40,000 farms south of Red Deer, and south of Calgary there would be about 30,000, which would mean that not more than a third, at the outside, had been abandoned.

THE CHAIRMAN: They are practically all located in this drought area, are they?

MR. IMRIE: Yes, although the drought area is extending northward. There are some over towards Saskatchewan on the Goose Lake line and in the Youngstown neighborhood.

I would like to read in full one paragraph contained in our printed brief. It is found at the bottom of page 21. I quote:

" Today these policies have their fruitage in a series of grave problems: relief for man and beast, moving of settlers to better locations, construction of water reservoirs, provision of irrigation facilities, experiments in drouth-resisting crops, detailed soil surveys and a careful study of the optimum of population and the detail of farming operation for each township or local area. Moreover, there is lying unused and unusable in this area a large mileage of roads and telephone lines and a large number of schools and other buildings, all constructed at great public cost, and now without population to use or maintain them. There are huge private investments of a varied kind which also are unusable. Finally, there has been a deterioration of personal morale that has occurred inevitably in the cases of many who remained struggling against continued disappointments, inspired by recollections of good crops when the grazing lands were broken up first, aand by a hope that such experiences would return."

Now, as I said before, during this whole period of immigration into Alberta, there was a conflict of interest as between the Dominion and the province. This conflict was recognized, frankly, by one, at least, of the Dominion Ministers of Finance. At that time the Dominion of Canada very greatly depended upon customs and excise duty for revenue. In the fiscal year ending March 31st., 1904, the first year before the incorporation of the province —— I am speaking now to page 22 of the printed brief -- 75.5 per cent of the total revenue of the Dominion was derived from customs and excise duties. This can be compared with 31.7 per cent collected for the fiscal year ending March 31,

1937. The Dominion admitted it was interested, at that time in increasing settlement in Alberta, as in the other Prairie Provinces, from the standpoint of increasing the revenue derived from the excise and customs duties. The Dominion recognized that the province had a different interest. The Dominion recognized that it would be a long time before the province would be able to derive any substantial benefits from the new settlers, and in the meantime these settlers would be a source of added expense, both capital and current. On page 22 of the brief submitted by the Edmonton Chamber of Commerce, there is quoted a statement by the Hon. Frank Oliver, in the House of Commons debates in 1905, page 5993. In this statement he sets out to estimate the value per head of the new settlers to tyo Dominion Government. This quotation appeared in the Saskatchewan Government brief, and I take it that I do not need to read it as it is already before the Commission. There are, however, two further quotations along somewhat similar lines which I would like to read.

The first one which I shall read is a statement by the Honourable Frank Oliver contained in Hansard, Volume II, page 3157, 1905. I quote:

> " One honourable gentleman said, that the lands could be better administered by the Province than by the Dominion because the people of the province were closer on the ground and the interests of the Province, he said, were just the same as the interests of the Dominion. I beg to differ; their interests are not the same. The interest of a province in the land is in the revenue it can derive from the sale of the lands; the interest of the Dominion in the lands is in the revenue that it can derive from the settler who makes that land

produces. . This Dominion of Canada can make millions out of the lands of the Northwest, and never sell an acre; it has made millions out of these lands without selling an acre. The increase in our customs returns, the increase in our trade and commerce, the increase in our manufactures is to a very large extent due to the increase in settlement on the free lands of the Northwest Territories. The prosperity this Dominion is enjoying today is to a very large extent due to the fact that the lands of the Northwest Territories have been given away and that people have taken them. I say that the interest of the Dominion is to secure the settlement of the lands, and whether with a price or without a price makes little or no difference. It is worth the while of the Dominion to spend hundreds of thousands of dollars in promoting immigration to that country and to spend thousands and thousands of dollars in surveying and administering these lands, and then to give them away. But the province is not in that position. The province derives no revenue from the customs duties or from the wealth which the settler creates.

THE CHAIRMAN: It is hard to accept that as the settlement policy of a provincial government. I should imagine the provincial governments in these prairies provinces would be anxious to extend settlement. At least, to bring in new settlers, because as they bring in new settlers, they increase the population. All these people are potential taxpayers. The object in view may, in some respects, be different, but I should think both governemtns would be interested in the settlement of the land.

MR. IMRIE: May I point out that there is a vast

difference between the thickening up of areas already opened up and the opening up of new territories. The late Hon. Frank Oliver recognized this by using the words, "to prevent settlement from spreading any further than can be helped." I continue to quote to the end of Mr. Oliver's statement:

> " Every settler who goes on land in the North-west Territories is a bill of expense to the Provincial Government. That settler requires a road made, he requires a school supported, he requires the advantages of municipal organization, and these have to be provided for him out of the funds of the Provincial Government, so that as a matter of fact the tendency of the Provincial Government is to get such money as it can out of the land and to prevent settlement from spreading any further than can be helped. On the other hand, the interest of the Dominion is to get the settlers on the lamd, to scatter them far and wide so long as they are good settlers and they get good land."

May I recall to you that one of the first Acts of the provincial government of Alberta after acquiring control of its natural resources in 1930 was to put a stop to the indiscriminate settlement. Of course, this government did have the benefit of hindsight in that action. There was also no heavy immigration at that time, but it is not without significance that a complete change of policy took place almost at the moment the province acquired control of its own natural resources.

There is another quotation which I would like to read and it is a statement by the late Sir Clifford Sifton, Volume 3, page 6704 of Hansard.

THE CHAIRMAN: Is that the same year as the statement

by the Hon. Frank Oliver?

MR. IMRIE: I think it was 1903, but it may have been 1905. I quote from his statement :

" I want the House to understand the policy which this Government is following. It is endeavouring to build up a consuming and producing population in our vast western country for the purpose of giving legitimate occupation, without excessive duties, on a legitimate occupation, without excessive duties, on a legitimate business basis, to the mechanics and artisans in Eastern Canada; and it is not necessary in order to give that occupation that we should have a fiscal policy which is oppressive to the people who are actually furnishing the money to pay for the goods which are produced in Eastern Canada. If my honourable friend desires that I should endeavour to prove that statement I have simply to quote what he himself says. It is not necessary that the duty shall be raised to an excessive point for the purpose of furnishing labour for the artisan and mechanic of Eastern Canada, because under the policy of this Government, by the honourable gentleman's own statement, at this moment we require 10,000 mechanics in Eastern Canada. So that my honourable friend has conclusively answered himself. He has conclusively shown that under the policy of this Government, not only in Western Canada but in Eastern Canada, there is at the present time ample demand for labour at remunerative wages."

You will note that suggests a somewhat different basis. In part, it does have a bearing on the same point, but it has a further bearing on, and is confirmation of, a reference

I made yesterday to eastern Canada receiving its first great stimulus to industrial development from the opening up of the prairie provinces. Now, the Edmonton Chamber of Commerce does not argue that if Alberta had been given control of its natural resources in 1905, its legislature would have endeavoured to restrict the number of immigrants. We do not argue that for one moment. Public opinion at that time would not have permitted it, and there was no good reason why it should have been done. The Chamber of Commerce submits that the local governing body required to supply roads, educational facilities and other public services, would have been more than likely to impose a restriction upon the location of the settlers so that their incoming would have tended towards a thickening up of settlement in reasonably restricted areas rather than the spreading of it, as actually took place.

COMMISSIONER MacKAY: It seems to me, that one relative question is, did the province ever oppose--are there any records of the provincial government ever opposing the settlement policy of the Dominion government?

MR. IMRIE: I cannot quote any such at the moment, although I think there was a continued fight, as you will recall, for securing control of the natural resources of the province. I remember that there were a host of arguments advanced as to why the transfer should be made and I am fairly confident that this question arose. However, if you asked me to quote a particular date or a specific argument which was advanced, I could not do so. I will endeavour to have the matter looked up. I would be greatly surprised if that particular argument was not advanced time and time again. I do remember when the Hon. Herbert Greenfield was premier, during the period of 1921-25, that he talked a great deal about the thickening up of settlements. In fact, I think that he coined that phrase. There was a great deal of talk about the mistake which had been made

in allowing settlements to become as far spread as they had become and that the policy should be the thickening up of settled areas. It was argued that these people should be settled in areas where roads, telephones, and public services were supplied, rather than the opening up of entirely new areas which would involve capital expenditure. I remember, too, the Hon. Mr. Brownlee, during a later period, and I think, while the natural resources were still under the control of the Dominion, arguing that every new settler permitted, under Dominion policy, to locate at one of these far-distant points became an immediate liability to the province. He also expressed the point that there should be a thickening up rather than a spreading out of the settlement in the province. During this whole period, from 1905, to 1930, I think the representations made in the matter have been fairly consistent.

COMMISSIONER MacKAY: It seems to me that the Dominion government would certainly take into account the representations of a provincial government in such a matter. I know of no instances, myself, where a province actually objected. A province may have criticised, afterwards, or may have argued that it would have been done better if the province had control of the matter, but I know of no instances in which the province actually opposed the policy of the Dominion government. I think that is a question, which, perhaps, is worth investigating a little further, if we are going to hold the Dominion government morally responsible, and say that the province would have done a better job, or it is assumed that the province would have done a better job than the Dominion did.

MR. IMRIE: If the Commission would like me to, I would be very glad to look up the records on that matter and submit them, later on in the week.

MR. STEWART: It may be interesting for Mr. Imrie to refer to the resolution of the Assembly of Alberta in

1910, referring to the transfer of resources from the Dominion to Alberta. In 1910, the resolution was for the transfer of a restricted class of resources which the provinces claimed that it could better administer. Starting in 1912, I think, and every year from that date to 1926, there was a resolution for the transfer of the resources and perhaps in the Debates wthere would be a reference to the point Mr. Imrie is making.

THE CHAIRMAN: It would be interesting to see the actual resolution of 1910, and the subsequent resolutions if they are not all similar.

MR. STEWART: I think they are all the same from 1912, on.

MR. IMRIE: There is a further point, I think, Mr. Chairman. As the widespread settlement became greater and this province was developing, it in turn reacted favourably upon eastern industry. I am not suggesting it is a point, because I do not know whether that entered into the Dominion's

calculations, but it is felt that it is a possibility. In those days, things were moving quite rapidly out here. The population of this city trebled in less than four years, at one stage of its development.

THE CHAIRMAN: Things were moving quite rapidly; this was not a very large city in 1902, as I remember it. A few years afterwards, it was much larger.

MR. IMRIE: The period between 1910 and 1911, was the period of greatest development. Shall I proceed with the next chapter?

COMMISSIONER MacKAY: There is just one observation here, Mr. Imrie. I think it might be fairly stated that many mistakes in settlement have been made since the opening up of this country. Most of the settlement was not planned as to detail, and of course, the same can be said of almost any other province in Canada. It is only within very recent years that we have thought at all about planning settlement. With the exception of the early days in Quebec, we have simply allowed people to experiment and settle where they could.

MR. IMRIE: Might I recall two points which I endeavoured to make. The first is that we are reviewing the matter and we admit, frankly, that hindsight is better than foresight. The second point is, that if the province had been in control of its resources, since 1905, and had done what was done, there would be no opportunity of introducing this matter. This province, and in fact, the other two prairie provinces, was treated differently from the other provinces of Canada, in the matter of natural resources. The Dominion authority, by assuming control, was definitely responsible for the policies which were pursued there. The Chamber of Commerce submits it is justified in reviewing for the Commission some of the effects of these policies.

If this province had been responsible for it, there would be no occasion to place this matter before the Commission. It would have been our mistake, if mistake there was, and it would have been our experiment. Then there is the point which just came up a few moments ago. During this whole period there were these repeated criticisms of this policy. There was this further point, that the Dominion Minister of the Interior, presumably expressing the considered opinion of the Cabinet, because it was expressed to the House of Commons, did say that there was this conflict of interest, and did give the reason for not wanting to turn over the resources to the province, which is obviously associated with the condition about which we are speaking.

Now, chapter seven, deals with the effect of another national policy, that of the tariff, on Alberta as compared with the other provinces. That such a policy has been to the general advantage of Canada as a whole is not questioned by the Chamber of Commerce. I have no submission to make on that point. It is the submission of this Chamber of Commerce, that it has entailed on Alberta, as an individual province, a large excess of costs, both direct and indirect over the total of benefits received. In the earlier chapters there was developed the point that Alberta is essentially a pioneer community, engaged chiefly in primary production. I would ask you to note these figures. By actual inquiry it has been established that more than 90 per cent of all the goods sold by 20 of the leading wholesale houses in Edmonton in 1937, were brought in from the outside. May I repeat that statement? More than 90 per cent of all the goods sold by 20 of the leading wholesale houses of Edmonton in 1937, were brought in from the outside. It has been estimated, quote conservatively, I think, that Manitoba buys from the other provinces and countries, 75 per cent of all which its people purchase

from retail stores, from mail order houses, or as implements of production. While I ask the Commission to read with care the rest of page 23, I may summarize it in the statement that the province must sell the great bulk of its goods without the assistance of the tariff policy, and is required to pay the cost of the tariff, because the great bulk of what its people buy, is imported. The Chamber of Commerce has not attempted to estimate, actuarially, the exact incidence of the tariff in this province. We felt that such an estimation was beyond our powers. In any case, the commission has before it, the results of two such attempts, the one submitted by the Manitoba government and the other, by the government of Saskatchewan. There was an estimate made by Professor Norman Rogers, in connection with this matter. Professor Rogers estimated the cost, the monetary cost to Alberta in 1931 as being $19,698,248.

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May I point out that the figure he estimated exceeds either the total ordinary expenditures of Alberta or the total ordinary revenue of Alberta, as a province, for that same year; those two figures being $15,000,000 odd, and $18,000,000 odd respectively. Now, the Chamber is aware that Professor Roger's estimates have been questioned and criticized. The Chamber is not in a position to argue as to their accuracy, but it is suggested that they do reflect a genuine attempt to ascertain the exact incidence, and that they do tend to confirm the Chamber's submission, in common with those of various other bodies, that this varying incidence does exist. It is significant that the Canadian Manufacturers Association, in its brief to the Commission, recognized that there is a varying incidence of the tariff on different provinces throughout Canada. The Chamber ventures to suggest, and respectfully to urge, that this Commission itself, having, as it has, on its staff quite a number of economists, do undertake an actuarial measurement of the incidence of the tariff, either favorable or adverse, on the various provinces throughout Canada. Or if that is asking too much, on this particular province of Alberta.

There are four other phases of Alberta's disability under National tariff policy, apart from the direct monetary policy which Professor Rogers endeavored to estimate. The first is that Alberta, although paying this excess of cost, whatever it may be, is unable to get the same percentage of protection on those relatively few products of this province, the sale of which, throughout Canada could be promoted under the application of the tariff principle. May I refer you to the figures on page 25 of the printed brief, which show that for the fiscal

year ending March 31st, 1937, the average ad valorem duties on dutiable goods in Canada was 26.7%. With that is compared the current tariffs on a few Alberta products, the sale of which throughout Canada, it is suggested, could be promoted through adequate tariff protection. You will note that in each case the tariff on those few Alberta products works out at substantially less than the average for the rest of Canada, - the average on all dutiable goods entering Canada. Towards the close of page 25, and on the first part of page 26 certain illustrations of this phase of the general disability are given. It is shown, for instance, that an expansion in the market for Alberta coal might be secured under adequate tariff protection, coupled, if necessary, with freight subventions. It is also shown how the free importation of vegetable oils from the United Kingdom cuts in deeply to the market for certain animal products of this province. And again, how the low rate of duty on Australian and New Zealand lamb and mutton makes more difficult the production, or the raising of sheep in this province; a form of diversification, which I may point out, is particularly desirable in a province which has a problem such as Alberta has, because the raising of sheep could be promoted very definitely and successfully on certain parts of the sub-marginal lands in the south.

THE CHAIRMAN: Mr.Imrie, how far east does your coal go?

MR.IMRIE: At the present time, as is pointed out there, we are unable to retain even the Manitoba market.

THE CHAIRMAN: Would not freight rates, unless you received important subventions, prevent your coal from going much further east?

MR.IMRIE: It is admitted here that probably freight rate subventions would be necessary as well as a tariff, but you see, the tariff on anthracite is fifty cents a ton, approximately five per cent, as against an average on all products entering Canada of 26.7%.

THE CHAIRMAN: Is your coal anthracite?

MR.IMRIE: No, but it competes with anthracite for domestic purposes.

COMMISSIONER DAFOE: If they could not get anthracite they would burn your coal?

MR.IMRIE: Absolutely. And with reasonable tariff protection, coupled with freight subventions, the Chamber argues there could be secured a very definite entry into Ontario, as well as securing the entire field in Manitoba.

Now, the scheme of tariff protection in Canada is worked out, in the case of most of the commodities, so as to secure the entire Canadian market; a matter of bridging two or three or four provinces, is not an obstacle. The Chamber submits that if we are to have a national tariff policy in Canada, and if certain provinces, because of their nature, - because of the nature of their production, cannot benefit very much by that policy, but on the contrary, are compelled to pay a very high excess cost, special attention should be given to those comparatively few products of such provinces as do lend themselves to tariff protection.

THE CHAIRMAN: Is not that a question for the Tariff Board of the Government, Mr.Imrie?

MR.IMRIE: The Chamber submits that it is, in addition - or at least has a direct relation to the question of Dominion-Provincial relations, because it has a direct connection with the capacity of this province to function

adequately and economically with the taxation base of this province. If we were to accept Professor Rogers' estimate, as I have pointed out, the excess direct cost quite apart from these indirect phases, exceed the total taxation in this province in the same year.

THE CHAIRMAN: No doubt the incidence of the tariff varies in different regions in Canada, but how do you relate that to the Dominion-Provincial relations? How do you estimate what should be taken into account?

MR.IMRIE: May I estimate it in Professor Roger's own words: "If National policies have a tendency to enrich the economy of two provinces at the expense of the remainder, this fact is of the utmost importance as determining the wisdom or unwisdom of the policies in question, and also in its bearing upon the constitutional and financial relationships of the Dominion and the Provinces". In my own words, I have argued that this Commission, under its terms of reference, is investigating, among other things, in the words of the Prime Minister, as far as I can recall them, the capacity of the provinces to function independently within their own areas, or something in that general spirit.

Now, if certain national policies, be they transportation, be they tariff, or others, do make a heavy toll upon the people of this province, do cut in deeply to the gross of their receipts, then surely they have a very direct bearing upon the taxation base of this province.

THE CHAIRMAN: Mr.Imrie, assume that to be true, for the sake of discussion, then how do you estimate it?

MR.IMRIE: Actuarily?

THE CHAIRMAN: Actuarily or in any other way, in figures, by subsidy, or otherwise?

MR.IMRIE: The Chamber deliberately refrained from an actuarial estimate.

THE CHAIRMAN: You claim, on an actuarial estimate for a loss due to the tariff. Suppose you had established the loss due to the tariff, how do you relate that to Dominion-Provincial relations in terms of subsidy?

MR. IMRIE: Then may I refer to the last portion of page 27:

> "It is submitted that for the reasons outlined above national tariff policy involves handicaps upon Alberta which are out of all proportion to any related advantages to this province. This does not mean necessarily that national tariff policy is ill-advised from the standpoint of Canada as a whole. That issue and the equity or otherwise of individual tariff rates are outside the scope of this Commission. It is submitted, however, that the handicap imposed upon Alberta in this connection entitles this province to adjustments of a compensatory character in other fields."

THE CHAIRMAN: How are we to arrive at it?

MR. IMRIE: The Chamber suggests, in another chapter, that there be set up in Canada a continuing, independent, non-partisan, semi-judicial committee, after the general nature of the Australian Grants Commission which would be charged with the duty of examining periodically into the position of each of theprovinces, and take into consideration the varying incidence of various national policies.

COMMISSIONER ANGUS: Did not the Australian Grants Commission practically refuse to take the incidence of national policy into account?

MR. IMRIE: That is not my reading of their three reports, sir. On the contrary, the province of Alberta - I cannot speak for the province, of course, - but I think the Edmonton Chamber of Commerce would be tickled if the province of Alberta were to get any such grants from the

Dominion as a result of adopting the principle of the Australian Grants Commission as certain of the States in Australia adopted them.

COMMISSIONER ANGUS: The Grants Commission gave substantial grants to three states, but they did not give those grants on the basis of the detriment of National Policy to those states.

MR.IMRIE: There was definitely argued before the Australian Grants Commission the varying incidence of various national policies. The Commission recognized the difficulty in appraising actuarily the exact incidence. It took up another phase, namely, that of need, and it worked out, as you know, certain additions to or deductions from the budget statements of the individual provinces, according to the efficiency of Government in the individual states, and then it reached, by more or less rough and ready methods, what would be a fair subsidy; taking into account, I assume, the sum total of conditions which, I think it may be assumed, include the varying incidence of national policies, even although they could not be actuarily estimated. As a matter of fact, in reading the three reports of the Australian Grants Commission, I was struck very definitely by the similarity of the various arguments presented by certain claimant states and the argument that the Edmonton Chamber of Commerce is presenting at present.

COMMISSIONER ANGUS: I quite agree there is a great similarity between the argument presented by certain claimant states and those presented by the Edmonton Chamber of Commerce, but I am suggesting that the Australian Grants Committee refused to act on those arguments; it gave grants on the basis of need, that a fiscal need was a proper base for a grant.

MR.IMRIE: I do not know whether one is permitted

to question a Commissioner, but on what basis then did they make their findings, running up to $7,500,000, in the case of one of the claimant states, if they did not take into account and include the incidence of national policies?

COMMISSIONER ANGUS: My recollection is that they worked on this basis: That they assumed that the social services in one state should not be allowed to fall much below the average of the social services of all non-claimant states; and that the taxation, - the severity of taxation - in one state should not be allowed to rise much above the severity of taxation in the non-claimant states. But they thought that taxation might rise above this average by ten per cent, to be exact, especially if the claimant state had been extravagant, and social services in the claimant states might fall by six per cent below the average. And they worked on that basis, by comparing the deficits of the states after bringing those deficits to a comparable basis, and they definitely excluded the type of argument that we have been considering here. I am subject to correction, but that is my recollection of the four reports.

MR. IMRIE: I have here the recommendations in each of the three reports, but I do not know just where to put my hand on the related point. I notice in one paragraph, for instance, that they did take into account the existence of a drought area in the case of West Australia, in their third report. But I do not see how it could arrive at such high figures of awards without taking into account the arguments that were advanced as to the various incidence of national policies, and certainly they stressed the differences between certain of the States that resembled Alberta and those that resembled Ontario and Quebec. One of the problems in Australia was

that national policies which tended to encourage certain states in their development tended to handicap certain other states, which were engaged in primary production. Now, that is our argument in relation to the tariff.

COMMISSIONER ANGUS: Mr. Imrie, suppose that if a rich state could be shown to be suffering as a result of a national policy, and therefore made claim against a poor state on the ground of the national policy having enriched the poorer state at the expense of the richer state, according to the submission you present, that would be a valid claim based on injury. The Australian Grants Commission based the claim on need, and said that a rich state could not claim against a poor state, even if the rich state had suffered and the poorer state benefited as a result of a national policy. We would have to assume that Parliament, in its wisdom, had made whatever adjustment it considered appropriate.

MR. IMRIE: Did they not, in the Australian Grants Commission, emphasize primarily the basis of need? It seems that was the motive all through.

COMMISSIONER ANGUS: And they said need would include the effect of any policy in so far as it was desirable that their effects should be taken into consideration.

MR. IMRIE: Now, personally, I would be sorry to see any such Commission in Canada motivated simply by the question of need. I do not think it is conducive to the self-respect of a province that it should have to make its plea on the basis of need. I think it is far better if the larger and broader question of the varying incidence of National policy could be considered, even apart from your view, like in addition to the question of need.

COMMISSIONER ANGUS: Mr. Imrie, the Grants Commission did not say those matters could not be considered, but they said that the proper place to consider them was the Parliament

of Australia. The Grants Commission was not sitting in review on those policies; they had merely to deal with the question of need. In other words, it was not a commission set up to criticize national policies. That was the position and they could not accept arguments as to the wisdom of national policies.

MR. IMRIE: I am not asking for the exact frame-work of the Australian Grants Commission; I said after the general nature of the Australian Grants Commission, having in mind it was a semi-judicial, non-partisan body, operating apart from the Commonwealth Government. It was reviewing the positions of the several states, and I do submit, on behalf of the Chamber, that in Canada we will have to come to something like that. What is the alternative? We have seen it in operation,- one part of Canada claiming an increase in subsidies, then another part of Canada saying because you give a subsidy to this part you have to give it to us. That is conducive to "log-rolling", and does not get down to the real facts of the case. Now, we have in Canada certain areas, - certain provinces which, by the nature of their location, by nature of their climatic and soil conditions, have to engage in types of development that are quite different from the types that exist and are possible in other parts of Canada. Yet we want to build up and maintain throughout all of Canada a broad community interest, a broad adherence to national ideas and aspirations, and a feeling of contentment throughout the different parts of Canada. In other words, the great task which confronts Canada at this time, but particularly during every period of depression, is to find ways and means that will permit the full and concurrent development of each and every part of Canada

without undue and disproportionate cost to any province. Now, if we cannot find that, - if during the ensuing decades we cannot find that, - then we have lost the vision and the spirit and the purpose of Confederation; and if we lose that vision, and if we are unable to bring about a reasonable equity and a reasonable opportunity in each of the various provinces, and a reasonable feeling that each province is getting a fair deal from the rest of the country, then I see a very dark future ahead.

This question of tariff has been, for decades, the chief bone of contention as between the East and the West, and unless we can find some means, - of course, we cannot do without tariff, we have to have it, the nature of a portion of our development requires that we have it, -but I submit on behalf of the Chamber that we have to find some way of equalizing the effects of the cost, and that must be found through the channel of compensatory adjustments. Those areas which are called upon to bear that cost, without deriving the benefits from it, are entitled to something else by way of offset and compensation. I personally, as Dr. Dafoe knows quite well, am an advocate of the principle of the tariff.

COMMISSIONER ANGUS: Mr.Imrie, is your point substantially this: that the Parliament of Canada cannot, over a period, be trusted or be expected to perform the functions which you describe, adequately, and that we therefore need some other machinery supplemantary to the Parliament of Canada, - a Grants Commission or whatever you call it?

MR.IMRIE: Be it far from me to suggest their incapacity or untrustworthiness, to this or any other Parliament of Canada, but it has been the practice in the past, even in Canada, to delegate certain functions, certain

duties, to bodies which are quite independent of Parliament. For example, we do not ask Parliament to deal with the question of freight rates. Parliament lays down certain principles and the Board of Railway Commissioners is appointed to interpret those principles, and apply them to cases which arise from time to time. Now, I do not think that Parliament would want to be bothered, and I do not think Parliament should be expected to be bothered, with the detail which will be involved in the work of a Commission similar to that in existence in Australia. I think it would be better to have that work done by a body quite independent of Parliament, a body which can view things dispassionately, and non-politically.

COMMISSIONER ANGUS: But as I understand your submission, you are asking for a body to do something rather different from what the Grants Commission does in Australia. Is it actually to assess a sort of compensation for national policy?

COMMISSIONER DAFOE: On the basis of need, as found by a statistical court.

MR. IMRIE: I would not put it on the basis of need, I would prefer to put it on the basis of equity. The national form of policy is a form of taxation, and the people are required to pay disproportionately under that form of taxation. This commission is investigating the incidence of taxation from the standpoint of its variance in individual provinces, - or not that exactly, but it is investigating the broad questions of taxation and the distribution of taxing powers as between the Dominion and the Provinces. Now, what we are urging is that this is a form of tax, and that it is in its operation, not with intention, but is in actual operation, owing to the variation of conditions in the different provinces. That

particular form of taxation is bearing disproportionately on Alberta. We have already argued in the preceding chapter that certain other national policies have borne disproportionately. We will continue that argument in two other chapters. Now, if it could be argued, in contradiction, that none of these things were to be considered, then there is going to continue, I am afraid, in this province, a sense of grievance based on injustice, because while I do not speak for the province, - and cannot do so, - I am in a position to sense public opinion in this province. Speaking personally now, and not as representing the Chamber of Commerce, I would like to say, just as Mrs. Parlby said the other night, that a continued sense of injustice is a very dangerous thing under democracy, - a very dangerous thing in a nation such as Canada, and it leads to things being done and things being said that would not be done or said but for that sense of injustice. There is rankling in the hearts and minds of the people of Alberta a great sense of injustice, a great sense that here in this outlying province we are suffering heavily from various national policies.

COMMISSIONER ANGUS: Mr.Imrie, do not misunderstand me. This Commission, unlike the Australian Grants Commission, has been appointed to consider the question of equity in taxation, - that is one of our duties. But in regard to the suggestion that there should be a permanent commission to investigate the effects of national policy on one part or another part of the country, I am merely pointing out that if you are proposing a commission of this sort you are proposing something which is different from the Australian Grants Commission, as I understand that Commission.

MR.IMRIE: The Australian Grants Commission, as I

said, is motivated primarily by need. I think that is a humiliating position for any province to have to take in this Confederation of Canada, and would not like to see it put on that basis alone. I would prefer to have it put on the basis of equity, and it is on that basis that the Chamber's submission is made.

THE CHAIRMAN: Mr.Imrie, I do not know what the facts are in reference to Alberta, but we had the same argument advanced in British Columbia. They claimed the loss through tariff was even larger than that suggested here. The fact was that in British Columbia in 1878, 1891, and 1911, when the tariff was the dominant issue, British Columbia returned every Federal member in support of the higher tariff. In 1930, when it was also quite an important issue, they returned a majority of the members in support of that policy. Is not that a judgment by the people of the province that they believe that is a sound policy? I cannot think that all the British Columbians are such altruists that they would vote for a policy which they think is prejudicial to themselves but favorable to other parts of the country. Do you think that is a consideration at all in this situation?

MR. IMRIE: I would not feel qualified to assess the situation as to British Columbia, but in relation to Alberta I can say this: I have been here since 1921; during that period I cannot recall an election which returned more than three Liberals,- or that returned more than five Conservatives. There was only one election where the Conservatives got a majority of members elected from Alberta since I came to this province; it has been on a basis of protest. That protest has been growing and has been accentuated greatly during the past six or seven years. Several times the Legislative

Assembly has been asked to pass motions against the principle of the tariff. I think there was one occasion on which it did actually pass a resolution against it. Personally, I do not think that is the solution. I have had the advantage of dividing my business life between the centre of Eastern industry, Toronto, and the centre of Western agriculture, here and therefore I am able to look at it in a broader way. I do not think that is the solution, but I think there must be a solution to the present situation. There is being brought up all the time throughout this prairie province an agitation for a regional tariff, - an agitation for a separate tariff for the Prairie Provinces, or a separate tariff for Western Canada. Now, I am not asking for that. I believe the death knell of Confederation will be sounded if that principle is established. All people in Edmonton do not agree with that view, it is my personal view, but I think we have to find some solution, or this question of tariff is going to continue to work as a cancer in the body-politic of this Dominion.

COMMISSIONER DAFOE: Did your Chamber give any consideration to the alternative, - bringing about a greater measure of equalization by lowering the tariff in place of raising it, on Alberta products?

MR. IMRIE: The Chamber felt that any measure of lowering that would be possible, having in mind the goods of Eastern industry, would reduce it to a point where it would cease to bear disproportionately on this province, and therefore they could see as the only solution in their eyes, a compensatory adjustment.

COMMISSIONER DAFOE: Is not the logical development of the policy you suggest, pushed to an extreme, to lay down the principle that if anything han be produced or made in

Canada it has the right to the entire Canadian market, through the operation of a tariff?

MR.IMRIE: I do not think we want anything like that. In the submission, sir, we simply state that first, there is the excess of monetary cost, then there are four other ways, only one of which I have outlined, in which the national tariff policy bears disproportionately on Alberta. The nearest we have come to your suggestion, I think, is to argue that while on the one hand we are compelled to pay the excess direct monetary cost of the tariff, on the other hand we are denied the benefits which might come to us if the broad principle of tariff protection were applied in approximately the same percentage to those relatively few products of Alberta which could be sold advantageously in the rest of Canada, either with or without the addition of freight subventions.

COMMISSIONER DAFOE: The rate of the tariff is fixed in order to obtain an objective. Sometimes a low tariff does it and sometimes a very high tariff does it. A rate of tariff which would give Ontario markets to Alberta would be very high.

MR.IMRIE: May I point out that something after the nature of the Australian Grants Commission is not contained in this chapter at all; it comes up more naturally, I think, in another chapter. I would not have it thought that that particular submission is related wholly or exclusively to this question of the tariff; it is simply one of a number of national policies which should come under the view, in our judgment, of such a body, and other provinces would bring up other national policies which might be to our benefit and which they would hold would weigh disproportionately on them. But our argument, in connection with something of the nature of the Australian

Grants Commission is that if we are to maintain a sense of equity and justice and fairness and content throughout this Dominion we must have some body which, irrespective of the party which may be in power at the time, is qualified to review periodically, and at frequent intervals, the incidence of national policy on the various provinces of Canada. I need not remind this Commission that the Dominion is fearfully and wonderfully made; that the physical conditions of it tend to an accentuation of rights and grievances, geographically as well as occupationally, and that those conditions make it all the more necessary that there should be machinery which would be regarded as a court of reference, which would tend to create that feeling which comes to a man in other conditions, where he says "Well, at least I can go to a court and get this settled". You have got to have some such machinery, in our submission, if we are going to have continued confidence in the equity of National policies over this far-flung Dominion, with its great natural barriers and its great divergence of natural resources, and occupational interests.

COMMISSIONER ANGUS: One other point, Mr.Imrie; the Australian Grants Commission acts by a recommendation to Parliament, which Parliament can accept or disregard, as it pleases, - it is merely advice. Are you suggesting that any body set up here should act in the same way, or that it should have any power?

MR.IMRIE: No, it was simply recommended that if this Commission could see its way clear, - which in Vancouver they intimated they could not, - to act in perpetuity, that kind of arrangement would be entirely satisfactory.

THE CHAIRMAN: Unfortunately, we have not the gift of immortality.

COMMISSIONER DAFOE: Mr.Imrie, on that question of tariff, we have heard five submissions by Provincial Governments, and in every case the Government of the Province has represented that the bulk of their prosperity depends on the export of goods, and they say, as you say in your brief, that they buy in a protected market and sell in an exposed market. British Columbia gave us a balance of trade which showed a very predominant amount of exports. Now, if you try to deal with the Canadian situation by stiffening or raising the tariff, it would put further difficulties in the way of exporting our products, and would not the net result be much more disastrous than a further step towards making Canada a self-contained country, in view of the fact so many of the provinces must export the bulk of their products?

MR.IMRIE: In the absence of some machinery and willingness to compensate ---

COMMISSIONER DAFOE: Compensation comes out of revenue. There would not be any reservoir from which you could get the compensation.

MR.IMRIE: You are anticipating, sir, a situation stated along somewhat similar lines in a later chapter of the Chamber's brief, in relation to a particular policy during the depression.

The second of these indirect phases is that Alberta is handicapped, in its agricultural development, by a tendency which exists under national tariff policy, to give concessions on agricultural products in return for concessions on Canadian manufactured goods, and in this chapter reference is made to certain features of the present trade agreements with Australia and New Zealand, and to the free entry of vegetable oils from the United Kingdom. May I point out that any tendency in

this direction mitigates against that greater diversification of farming operations in Alberta which is so frequently urged upon us by others outside of this province, and soundly urged. But if we are going to diversify our production we must be able to find markets for those products. Certain of the products which are definitely affected by these treaty arrangements are products involved in greater diversification, and one of them is a product related particularly, as I said a moment ago, to the drought area of southern Alberta.

The third indirect phase is that the tariff policy handicaps Alberta by impairing foreign markets for the agricultural products of this province. On page 27 of the submission this is stated:

> "During the fiscal year ending March 31st, 1929, Japan purchased wheat and wheat flour equivalent to a total of 21,574,422 bushels of wheat from Canada. This represented the entire wheat production of 12,388 average Alberta farms. During the seven years from 1929 to 1935 inclusive national tariff policy increased the duties upon all three of the products of Japan that were being sold in any quantity to Canada, namely, raw silk, tea and oranges. By the fiscal year ending March 31st, 1937, Canada's sale of wheat and flour to Japan had dropped to the equivalent of 5,158,697 bushels of wheat or only one-quarter of the sales eight years earlier. Australia had taken Canada's place as the chief supplier of wheat to Japan. It is true that the contrast in monetary policies during the depression of Canada and Australia, respectively, gave to Australian wheat growers a temporary advantage over Alberta wheat growers in the Japanese market. That, however, does not account in full

for the drastic curtailment of Canada's wheat sales to Japan. Moreover, it opens up another disability of a temporary character that will be dealt with in chapter 11."

THE CHAIRMAN: Mr.Imrie, in the year 1929 what was the grade of wheat? I have in mind the observation made to me by a wheat exporter, and I cannot say whether it was 1929 or some other year at which time I spoke of the large shipments of wheat to the Orient. He said that the reason they were able to make such large exports was due to the poorer quality of a very substantial amount of the wheat in the province, which enabled them to sell at a very low price; and that was the reason they had such a large sale in the market, and that they were not now able to get into the market by reason of Australia, because due to their monetary policy they were able to sell their wheat at a much lower figure than we could sell ours. I do not know the year this man was referring to, but he was a man who was concerned with the exportation of wheat and flour.

MR.IMRIE: It is unquestionably true that the market in Japan is mainly for low priced wheat. On the other hand, since 1929, wheat has dropped one fifth, - dropped in one year to one-fifth of what it was in 1929, and yet we were not able to make these sales. As you know, sir, I was in Japan in 1930, and everywhere I went there was impressed upon me the fact that if Canada was to continue to find a market in Japan, Canada must be willing to provide a market in Canada for Japan; that the balance of trade as at that time was four to one in favor of Canada. Notwithstanding that, as pointed out here, we proceeded during six or seven years to increase the tariff on our chief imports from Japan, and I cannot

but feel that there is some direct relation between that fact and the fact that we lost our place as the chief supplier of wheat to Japan, coupled with the change in currency. As you know, sir, the Japanese government is somewhat different from ours, and exercises a more direct control on the individual actions of individual importers, and it is quite easy to see how such a thing as has happened could be done consistent with an established policy.

COMMISSIONER ANGUS: Is not Australia also selling to Japan more than it is buying, - wool as well as grain?

MR.IMRIE: I have no figures as to the exact trade both ways, but I do know in 1930 or 1931 Australia negotiated a trade treaty with Japan under which each gave concessions to certain products of the other. That happening at a time when we were raising our tariff against Japan's chief exports to Canada, contributed further to this situation.

COMMISSIONER DAFOE: That subsequently blew up; Australia had trouble parallel to our trouble with Japan.

MR.IMRIE: But Australia is still the chief supplier of wheat to Japan, having retained the place she took from Canada.

THE CHAIRMAN: For better or worse. She largely got that because of her monetary policy, so I am told; I do not know.

MR.IMRIE: Our submission is that the two factors entered into it. I do know that Japan made very definite representations to Ottawa about two of these increases, and was quite cognizant of the fact they were being made, and sought to prevent them.

THE CHAIRMAN: What year was that? Was that the increase of 1930?

MR.IMRIE: There was one on tea in 1929 and one on silk in 1931 or 1932. (Page 6050 follows)

COMMISSIONER DAFOE: Then there was a currency jump on the Japanese imports later.

MR. IMRIE: Yes. Then the fourth point is fairly obvious, the fourth indirect phase of this handicap, namely, that inherent in the increase of primary production costs involved in the higher prices that must be paid under a system of national tariff protection and the effect that has on Alberta in selling its wheat and other farm products in world markets, at world prices, in competition with other countries. Therefore it is submitted, as I read a little while ago, that for all of those reasons the national tariff policy involves handicaps upon Alberta which are out of all proportion to any related advantages to this province, and that these handicaps entitle this province to an adjustment of a compensatory character in other fields.

THE CHAIRMAN: Mr. Imrie, before you leave that one question, assuming your argument to be sound, there are two questions: one is the position of the individual and the other the position of the government. You recognize we are not concerned with the position of the individual, I assume?

MR. IMRIE: Save as it relates to the position of the government.

THE CHAIRMAN: Save as it relates to the position of the government. In every country, if one section of the country is more prosperous than another or has an advantage which another does not possess, there is a shift of population, which explains the movement of population from the Maritimes to the Central and Western provinces. But even though there may be a shift of population or conditions may work for hardship, the government of the territory must be carried on. How can you estimate the diminution in

the revenues of a province due to this policy?

MR. IMRIE: Well, as I pointed out at the outset --

THE CHAIRMAN: You suggest this scientific commission and so on. Have you any suggestion as to how it could be arrived at?

MR. IMRIE: You mean as to the technique?

THE CHAIRMAN: How can you estimate the diminution? Take the one question of the revenue of the government of this province, due to the incidence of the tariff policy, as compared with what it might be assuming you had a tariff for revenue, and we must have a tariff for revenue. How are you going to work it out? That is the problem that troubles me, Mr. Imrie, and if you can throw any light on it I would be very glad to have it.

MR. IMRIE: Obviously that is a question which the provincial government could answer much better than any individual citizen. But may I refer you to page 17 of the Chamber's submission, in which there is a table showing the net production of all industries. You will note that in 1931 it was $187,000,000, in 1932 $157,000,000, in 1933 $145,000,000 and in 1934 $178,000,000. That broadly speaking and subject to a few related conditions that are obvious, represents the very maximum, that is, of current income, that could be considered in arriving at any basis of taxation. If out of those figures, and assume for the moment that Professor Rogers is correct, there has to be taken $19,000,000 in one year as representing the excess direct cost of National tariff policy, and in the same year there has to be taken another figure as representing the excess cost of another National policy and so on, it is apparent that these National policies affect very definitely and directly the taxation base of the provincial government. Moreover, they affect directly the demands that will be made

upon the provincial government by way of relief, because the allowances for relief fluctuate to some extent as costs of living fluctuate, and if costs are increased by a tariff some allowance has to be made for that. It is a fact that the allowances for relief in Alberta are higher than in most other provinces, and that is due in part to the fact that allowance is made for the excess costs here due to certain of these policies that are under review in this Brief.

THE CHAIRMAN: Of course all the other provinces we have visited have said the same, their excess cost is more and so on. However, do not let me interrupt you.

MR. IMRIE: As to the exact technique, I submit that is a matter for economists and auditors to work out and I being, as I said at the outset, a plain and garden variety of business man, do not feel competent to advise as to the technique. Shall I pass on?

THE CHAIRMAN: Yes.

MR. IMRIE: Chapter 8 deals with a subject that is technical in its nature. It was drafted in part and approved in whole, as is noted in the Brief, by the Chamber's Transportation Committee, which is composed of members whose everyday work includes the supervision of incoming and outgoing freight. It is the course of wisdom to recognize one's own limitations and I certainly do not feel qualified to present orally this next chapter and with your permission, sir, the Chamber would like to make its submission in that particular chapter through Mr. Frank Pepper, Manager of Gault's Alberta Limited, engaged in wholesaling in this province for some 27 years and whose everday work includes the supervision of incoming and outgoing freight, and who is also Chairman of the sub-committee on transportation. May I present Mr. Pepper for that purpose?

THE CHAIRMAN: We will be very glad to hear Mr. Pepper.

MR. FRANK PEPPER: Mr. Chairman and Gentlemen of the Commission, in presenting this section of the Edmonton Chamber of Commerce submission I do so with considerable diffidence because I am not a traffic expert, neither am I a lawyer nor an economist, nor a prominent journalist; if I may use the term again, I am just a common garden variety wholesaler. I have been a buyer and later manager of a wholesale company in Edmonton for nearly 27 years. During that entire period there has rarely been a day when I did not have to consider transportation costs in relation to the costs and selling prices of various lines of merchandise. And may I say further, the cost delivered in Alberta towns if supplied from Edmonton, in comparison with the cost if supplied from other distributing centres.

> " The Edmonton Chamber of Commerce realizes that this is not the Board of Railway Commissioners and in preparing this section great care has been taken not to refer any question to this commission that should properly come before the Railway Board.
>
> Further on in this submission comparative rates on shipments to and from Winnipeg, Edmonton, Vancouver and other points will be quoted. To avoid confusion, lake and rail rates effective during the season of navigation are avoided and all rates quoted are 'all rail'."
>
> May I say that these comparisons are not for the purpose of establishing the existence of discrimination, but only to show the very severe handicap that high transportation rates impose on the people of this province."

May I now refer to this submission, page 28, and review some of the statements made therein, in the order in

which they appear:

" Alberta stands to-day at the very apex of Canada's freight rate structure.

Basic freight rates from Eastern Canada to Edmonton are much higher per ton mile than those either within Eastern Canada or from Eastern Canada to Winnipeg or Vancouver."

I may quote the mileage, the first-class rates and the rate per ton mile in a few cases. Toronto to Halifax, a distance of 1133 miles, the first-class rate is $1.19, with a per ton mile rate of 2.1006. Further on I will just quote the per ton mile rate, if I may. From Montreal to Winnipeg the per ton mile rate is 3.939, to Saskatoon 4.075, to Edmonton 4.201, to Vancouver 3.831. The fifth-class rates, and the fifth class is the class in which most of our heavy commodities move, the same difference appears. Toronto to Halifax a per ton mile rate of 1.0503, Montreal to Winnipeg 1.678, to Saskatoon 1.775, to Edmonton 1.834, to Vancouver 1.678.

" Gentlemen, this appears to be contrary to one of the fundamental principles of rate making. It is an admitted fact that the cost of transportation per ton mile decreases as the distance increases. Does it not seem to be an added burden for Alberta people to have not only the longest haul and the higher rate on the prairies but also the higher cost per ton mile?

Further, many commodity rates exist to Vancouver that do not exist to Edmonton, making the comparison more unfavorable. For instance, barbed wire moves 5th class to Edmonton at $1.98 -- the 5th class rate to Vancouver is $2.42 -- but under a commodity rate this merchandise moves to Vancouver at .75¢.

We then say, "A large number of articles may be shipped from Montreal to Vancouver and back to Edmonton for the same (or lower) cost as that of a shipment to Edmonton direct.

For example, canned goods move to Vancouver from Eastern Canada for .75¢ per hundredweight; the rate from Vancouver to Edmonton is .98¢. Canned goods can be moved from Eastern Canada to Edmonton for $1.73, or a combination of the above two rates."

Let us consider for a moment just what this means to the people of Alberta. Let us suppose that we are at Aylmer, Ontario, a large canning district, and two cars of canned tomatoes have been loaded, one going to Vancouver and one going to Edmonton. And let us suppose that on the outside of each car there is a large card attached showing the destination of each car and the total freight to be collected. This car going to Vancouver, the card would read something like this: "This car is going through Edmonton to Vancouver, a distance of approximately 2900 miles. The total freight that will be collected is $450.00." And on the other car you would find this: "This car is going to Edmonton, a distance of approximately 2200 miles, and the freight to be collected is $1,038.00." That is $450.00 to Vancouver, $1.038.00 to Edmonton.

THE CHAIRMAN: I do not profess to know anything about the freight rate structure, but is not that due to water competition?

MR. PEPPER: I am very glad you mentioned that, sir. Yes, it is. Whether it is real or potential I cannot say. I understand that very little canned goods can be moved through the Panama Canal due to the fact that they are packed cold and going through the warm climate they sweat and rust forms to a certain extent on the outside, discolouring the

labels. Grocery people tell me that is the case. Nevertheless the condition exists and that does increase the cost of canned goods to the Alberta consumer over and above the cost to those more fortunately situated geographically in British Columbia.

THE CHAIRMAN: What would be the cost of that same car to Winnipeg and Saskatoon respectively?

MR. PEPPER: The rate is $1.73 to Edmonton, compared to $1.14 to Winnipeg.

THE CHAIRMAN: There they have the water competition to Port Arthur.

MR. PEPPER: They have water competition as far as Port Arthur, yes.

THE CHAIRMAN; How is it to Saskatoon?

MR. PEPPER: The Saskatoon rate is $1.68 compared to our rate of $1.73. If you ask the freight man there if there was anything wrong, he would tell you that the amount is correct, that they arrive at their fee charging the total freight through to Vancouver of $450.00 plus the total charge back from Vancouver to Edmonton of $588.00, making a total of $1.038.00.

THE CHAIRMAN: Does he tell you why they do that?

MR. PEPPER: No, they do not. I have asked that question for 25 years and I have never yet been able to get a decent answer.

I suggest, sir, that if you were an Alberta farmer buying canned tomatoes, would you think you were fairly treated with a condition such as that or would you too be dissatisfied.

THE CHAIRMAN: I might be dissatisfied, but if the Vancouver rate is determined by water competition, you should not deprive them of that advantage, should you?

MR. PEPPER: Quite right.

THE CHAIRMAN: They complain that they are being discriminated against in freight rates too. We had that complaint from British Columbia.

MR. PEPPER: May I suggest, sir, that if the rate of 75¢ from Aylmer to Vancouver shows the railway a profit, then our rate of $1.73 for a distance 770 miles less, and eliminating the mountain haul, is too high. If the rate of .75¢ does not show them a profit, then they must of necessity make an additional profit on other rates to offset the loss they make to Vancouver. And I think whichever way you look at it, you cannot help but agree that the Edmonton rate is too high.

THE CHAIRMAN: It is a mysterious subject evidently. You have brought this matter before the Board of Railway Commissioners? I assume Alberta has.

MR. PEPPER: These things have been before them several times, yes.

THE CHAIRMAN: And these facts were pointed out to them?

MR. PEPPER: Yes sir.

THE CHAIRMAN: What answer did they make?

MR. PEPPER: Usually that the railways cannot see their way to publish lower rates at the present time, or else the rates quoted to Vancouver cannot be used as a basis for rates to other parts of Canada. Those are the two standard replies.

THE CHAIRMAN: Do your rates compare unfavourably with Saskatoon?

MR. PEPPER: They are higher per ton mile. Our basic rates are higher per ton mile to Edmonton than they are to Saskatoon.

THE CHAIRMAN: I do not see why they should be. What

is the explanation of that?

MR. PEPPER: We have been unable to get any explanation. I quoted the first-class rate here to Saskatoon is 4.075; to Edmonton it is 4.201 and on the 5th class to Saskatoon is 1.775, to Edmonton it is 1.834.

THE CHAIRMAN: How about Regina?

MR. PEPPER: I have not the figures for Regina, but I presume they would be approximately the same as for Saskatoon.

Another case:

> " Flannelette blankets, cotton sheets, pillow cases and towels move from the East to Edmonton 1st class at $4.53½. The commodity rate to Vancouver is $1.75. These items can be shipped from the East to Vancouver and back to Holden -- 60 miles east of Edmonton -- for .21½¢ less than the rate to Edmonton direct from the East."

THE CHAIRMAN: You cannot get them to Edmonton on that rate?

MR. PEPPER: We cannot. We applied before the Canadian Freight Association this Winter and we had a reply back about ten days ago saying that the railways could not see their way clear at the present time to publish a lower rate on these commodities.

THE CHAIRMAN: You will have to move them to this point and then carry them by truck into Edmonton.

MR. PEPPER: It has been thought of taking them as far as Port Arthur and bringing them by truck eventually, yes. It is not practicable at the present time. The great difference on the rate of flannelette blankets particularly, which after all is a necessity on the prairies, they are used very extensively, there is not a farm home that does not have flannelette blankets, and almost very city home,

it is due particularly to a peculiarity in the case of classification. In our brief we say that is based on the 4th class rate, it should be the commodity rate.

THE CHAIRMAN: What page?

MR. PEPPER: Page 30, the third line from the bottom. It says they are on a 4th class rate, it actually is a commodity rate to Vancouver in the classification. They will not allow flannelette sheets to be included in an Edmonton car, they do allow that to Vancouver. They tell us they will allow flannelette sheets to be included in an Edmonton car if the edgesare not whipped. It seems ridiculous I know, but that is an actual fact. Unfortunately it is not practical to sell them in that way because they fray and ravel out in the edges, and there is no equipment here to finish them. Our 4th class rate is $4.53½. If we could have flannelette sheets with whipped edges on them included in an Edmonton car it would reduce the retail price from .10 to.12½¢,possibly .15¢ a pair, 12½¢ at least.

THE CHAIRMAN: What is the trouble with the whipped edges?

MR. PEPPER: I cannot tell you exactly. I have asked that question several times. They cannot give you any reason other than if they are just torn or not whipped, then they class as unfinished cotton piece-goods. If the edges are whipped they claim they are manufactured goods and will not be included in the cotton goods car, although they are included to Vancouver. The same things applies to our cotton sheets, pillow cases and towels.

THE CHAIRMAN: Well, it is beyond me.

MR. PEPPER: It is the same as everybody else, it is beyond any person that I have ever talked to.

May I show a further comparison. If a carload of flannelette blankets were to be shipped, say two cars, from

Cornwall, one to Edmonton and one to Vancouver, the total freight collected on the Vancouver car would be $525.00, the total freight collected on the Edmonton car would be $1,360.50, and yet they will take that car from Vancouver back as far as Holden, 60 miles east of Edmonton, for $1294, $60 odd less than the rate to Edmonton direct.

THE CHAIRMAN: I can quite understand the Vancouver rate being different from yours, by reason of water competition. I suppose that is universal in freight rate structure, they must recognize water competition. But I do not understand these particular conditions you are now mentioning.

MR. PEPPER: I can agree with you, sir. I don't think anybody else can either. It has been in existance for a number of years and after repeated attempts to have it corrected, nothing has been done.

THE CHAIRMAN: I am glad you do not expect us to explain that.

MR. PEPPER: "Again the basic rates on movements between Alberta and B. C. points and between two Alberta points are much higher than in Eastern Canada.

For example, the rate between Montreal and Haleys, Ontario, a distance of 199.3 miles is .68¢; between Calgary and Irvine, Alberta, 197.5 miles, the rate is .89¢; and between Calgary and Beavermouth, B. C., a distance of 199.4 miles, the rate is $1.07.

When the distributing class rates were published they showed certain reductions from the standard mileage rates. Notwithstanding the fact that the prairie standard mileage rates are higher than those in Eastern Canada, the reductions for distributing

"class rates are less in the West than in the East. As an example, the standard mileage rates for a 200 mile shipment are $1.02 on the prairies and .83¢ in the East. The distributing class rates are .89¢/ and .68¢, a reduction from the standard mileage rate of 12¾% and 18% respectively."

I might say that the distributing class rates are in effect from points that are recognized as distributing centres. In Alberta we have Edmonton, Camrose, Stettler, Calgary, Lethbridge Medicine Hat, and Red Deer.

THE CHAIRMAN: You say the distributing rates in the West are lower than in the East?

MR. PEPPER: No, sir, the distributing rates are lower in the East than they are here.

THE CHAIRMAN: What was the rate you said was lower in the West than in the East?

MR. PEPPER: The percentage of reduction is greater in the East. The percentage of reduction to establish the distributing rates from the standard mileage rates.

" We then say that certain goods moving to or from points in other provinces enjoy a commodity rate that is not available on movements to or from Edmonton or other Alberta points.

May I quote a few of the many standard articles that this applies to:-

Fifty dry goods items, including mackinaw cloth, yarn, thread, comforters, quilts, etcetera move from Eastern Canada to Vancouver on a commodity rate of $3.50 L.C.L. whereas the 1st class rate is $5.52½. There is no commodity rate available to Edmonton and we must pay the 1st class rate of $4.53½.

Consider canned goods shipped from Taber, Alberta to Vancouver, a distance of 800 miles, at $1.16 per

"hundredweight, the 5th class rate, having to compete with the same merchandise from Eastern Canada, which moves nearly 3000 miles under a commodity rate of .75¢."

That is .75¢ for almost 3000 miles compared to $1.16 for an 800 mile haul.

" This also applies to canned milk shipped from Red Deer, Alberta, to Vancouver at .98¢, whereas milk can be shipped from Tilsonburg, Ontario, to Vancouver for .75¢.

Let us now consider the position of the Alberta distributor as suggested in the next paragraph."

THE CHAIRMAN: What page is that on?

MR. PEPPER: Page 28. "We state that 'Carload rates from Eastern Canada to Edmonton and Vancouver respectively coupled with L. C. L. rates out of these points respectively are such as to enable Vancouver distributors to haul certain goods from Eastern Canada through Edmonton to Vancouver in carloads and re-ship them into the Edmonton district L. C. L. at the same (or less) cost as on a carload movement from Eastern Canada to Edmonton with L. C. L. movement over comparatively short distances to points in the Edmonton district, thus handicapping the natural development of Edmonton as a distributing centre.'

This peculiar condition exists in the shipment of many lines of standard and staple lines of merchandise. Consider the comparative rates on shipments of barbed wire - a commodity used very extensively on the prairies. This item can be delivered in Edson, Alberta, via Vancouver for a total transportation cost of Montreal-to-Vancouver.75¢

"plus L. C. L. Vancouver-to-Edson of $1.13, or a total of $1.88. If distributed from Edmonton the rates are: Montreal-to-Edmonton $1.98 plus L. C. L. Edmonton-to-Edson of .35¢ or a total of $2.33. This is an excess charge if distributed from Edmonton of .35¢ per hundredweight, and the distance is 1410 miles less, and that is twice over the mountains, over these much talked of mountain rates, 1410 miles less and the rate is .35¢ per 100 more.

This item can be shipped to Wainwright, Alberta, 135 miles east of Edmonton for .20¢ per cwt. less if distributed from Vancouver rather than from Edmonton.

The rates then are:-

Montreal to Vancouver .75 plus L.C.L $1.38, total $2.13
Montreal to Edmonton 1.98 plus L.C.L. .35, total $2.33

This is an excess mileage of 1540 miles and a rate .20¢ lower. Again it is twice across the mountains.

Strange as it may seem, this item can be distributed from Winnipeg into the Edmonton district for less transportation cost than if distributed from Edmonton. For instance, a shipment to Vegreville, Alberta, a town 40 or 50 miles East of Edmonton would cost:

Montreal to Winnipeg $1.14, Winnipeg to Vegreville $1.04, total $2.18

Montreal to Edmonton $1.98, Edmonton to Vegreville .23, total $2.21 "

It costs .03¢ more per hundredweight to distribute out of Edmonton into our own territory than it does from Wirnipeg.

THE CHAIRMAN: You have no explanation of that?

MR. PEPPER: We have been unable to get one. We have tried for years. It is just a condition that exists. It goes to prove in our opinion that the Edmonton rates are very much higher than they should be. They are out of

proportion with either the rates to Vancouver or the rates to Winnipeg.

THE CHAIRMAN: Of course, as you said in opening, we have no jurisdiction over freight rates. That is a question for the Board of Railway Commissioners.

MR. PEPPER: Yes, sir. We submit these figures simply to prove that there is an increase in the cost of living that we think is unjustifiable.

" Alberta's position at the apex of Canada's freight rate structure consistutes a very severe handicap on the people of Alberta as pointed out at the beginning of this chapter, for the following, among other reasons, on Page 28 again:-

Alberta is a pioneer community, engaged chiefly in primary production and must ship the bulk of its agricultural products to far-off markets.

Alberta imports from other provinces and countries 75% in value of all its people buy at retail stores, from mail order houses or as implements of production.

A national tariff policy compels Alberta to purchase the great bulk of its required manufactured goods in Eastern Canada, thus entailing a long rail haul within Canada and under varying rate schedules that reach their apex in this province.

This means: (1) the cost of transportation must be deducted from the selling price of the bulk of what Alberta sells; (2) the cost of transportation must be added to the purchase price of the bulk of what Alberta buys; and (3) the national tariff policy denies to Alberta people the opportunity of buying in other countries at a lower price or a lower transportation cost, or both.

Or, to put it another way; Alberta must sell the

"bulk of its agricultural products in world markets at world prices less transportation costs; and must buy the bulk of its purchases within Canada at prices that are enhanced because of a protective tariff and to which must be added the cost of long-haul transportion under a varying schedule that reaches its peak on shipments to Alberta.

For example, let us consider the cost of an automobile to a farmer in Alberta compared with the cost of the same car to a farmer in Ontario.

An automobile of the type sold to average people is quoted in Ontario at $973.00, but the price in Edmonton is $1086.50. A farmer in Alberta pays $113.50 more than is paid in Ontario. When you consider that the Alberta farmer receives less for his products than his more fortunate geographically situated brother in Ontario, the comparison becomes more unfavorable.

For a second example, let us consider feed oats -- we cite this because it is the only grain of which the grade and quality in the East is comparable with the grade and quality in the West.

Ordinarily there is a spread of about .10¢ but due to the unfortunate situation existing in Saskatchewan compelling the government in that province to offer a premium for feed oats this spread is only .05¢. But even with this abnormally low spread it requires 2,713 bushels to buy this car in Alberta but only 2,155 in Ontario;"

THE CHAIRMAN: To buy a car of feed oats?

MR. PEPPER: To buy an automobile it require 2,155 bushels in Ontario against 2,700 odd here.

"...in other words, it requires 558 bushels or 25% more

"grain to buy this car in Alberta than it does in Ontario.

	miles	1st class rate	rate per ton mile	5th class rate	rate per ton mile
Montreal to Port Arthur	990	1.39½	2.83	.57	1.15
Port Arthur to Edmonton	1231	3.14	5.10	1.41	2.29

It may be true that Alberta did benefit to some degree because of competition of the Panama Canal route but in the absence of a principle approximating that of the Spokane Rates case it created some new handicaps for distributing centres in this province.

In 1914 there was a regulation set up in the United States that stated roughly: "The railroads shall not charge more for a short haul than a longer one over the same road in the same direction without authority from the Inter-state Commerce Commission."

" Repeated applications have been made for the establishment of a similar principle to apply to shipments to Alberta but no results have been obtained.

And yet in 1908 the Toronto Board of Trade supported by similar organizations in Western Ontario cities appeared before the Board of Railway Commissioners regarding a similar situation in Ontario.

It appears that rates from Sarnia, Windsor and other lake ports to Montreal were kept on a low basis because of water competition.

It was argued that if rates were kept low to these points on the waterway and higher rates were chaged to pointed like St. Thomas, Guelph and Galt, etcetera, which points were inland, that trade and industry would leave the latter and go to those cities which

"enjoyed the water-compelled rates.

As result of the adjustment reached the rates from Sarnia and Windsor to Montreal were fixed as the maximum for this movement and towns in between were given rates which were scaled down proportionately.

Is this not a parallel case to that of the Spokane Rates case?"

It seems to us that it is.

" If the principle of the 'Spokane Rates Case' or any approximation thereof were in force in Canada its effect on Alberta's position in the Canadian freight rate structure and therefore on its financial position within the Dominion would be tremendous.

What a difference it would make to the cost of living in Alberta!

Consider the cost of canned tomatoes, corn and peas. Tomatoes weigh approximately 60 pounds and corn and peas approximately 40 pounds per case of 24 tins. If the Spokane principle applied to Alberta shipments tomatoes would be reduced about 3¢ per tin and corn and peas about 2¢ per tin."

That is, canned tomatoes now selling around eleven or twelve cents would then sell for around eight or nine cents, a reduction of approximately thirty per cent.

" Consider also the cost of galvanized or plain steel sheets.

Let us forget the tremendous increase in the cost to mining companies and other large users and think only of the increase in the cost of living to the Alberta farmer.

An ordinary galvanized stock tank that sells to the farmer at about $12.50 would be reduced $1.00 if Alberta

"
" farmers had the same freight rate as B. C. farmers. The same proportionate reductions would be made on stove pipes and dozens of other sheet steel products.

Do you realize that 26% of the cost of eave troughs and conductor pipe is transportation cost? If we had the Vancouver rate the transportation cost would be only 11%.

On page 31 we quote a few of many examples of Edmonton-Vancouver variations. You can see from the examples quoted that the spread is tremendous - varying from 32% to 182%.

If the principle of the Spokane Rates Case were in effect in Canada, these variations would be eliminated entirely, or nearly so, and the cost of living in Alberta would be considerably reduced."

THE CHAIRMAN: How much would it increase the deficit on the Canadian National?

MR. PEPPER: That I cannot say. It is just possible though that some of the rates to Vancouver might be too low, and that we are paying an excess rate to offset the loss that is made on those water-compelled rates.

THE CHAIRMAN: Maybe all the rates should be raised to enable the railway to function at a less annual cost to the people of Canada.

MR. PEPPER: It is quite possible they may be raised. I understand the American rates were all raised this week. It is quite possible we will get an addition.

" Consider also the 'unloading in transit' privilege that Spokane enjoys. A carload shipment from the East to the Pacific Coast may be stopped at an interior point, partly unloaded there and the balance forwarded to the Pacific Coast. This can be done for

"a nominal charge for switching.

To enable an Edmonton jobber to land 40,000 pounds of canned goods at the lowest possible cost, he has to ship 60,000 to Vancouver, take out 20,000 at Vancouver and back haul 40,000 to Edmonton. Do you not think that it would be more equitable to stop the car in Edmonton, unload 40,000 pounds and haul only 20,000 pounds across the mountains in one direction instead of crossing the mountains twice -- 60,000 going west and 40,000 returning -- which would allow the Edmonton jobber to have delivery of his merchandise six to ten days earlier than is the case at the present time?"

THE CHAIRMAN: Of course we have a Board of Railway Commissioners who might think so and might give effect to your argument, but we are not the Board of Railway Commissioners, fortunately for us, perhaps unfortunately for you.

MR. PEPPER: Unfortunately for us, perhaps.

" We have pointed out the handicap to the consumer and the distributor. We now come to the handicap imposed on industry.

Let us consider for a moment the position of the packing plants. This is a large and important industry and closely associated with the welfare of the farmer. Transportation rates seem to favor shipping livestock rather than the finished or processed product. We quote on page 32 the comparative rates to the East.

'Present freight rates from Edmonton to Eastern Canada are $1.14 per hundredweight on live cattle and $1.88 per hundredweight on fresh meats.'

Here are the rates to Vancouver:

" For livestock the rate if 56¢. The rate on dressed meats if $1.10. Partly as a result, large quantities of livestock are shipped to Vancouver and processed there. Shipments of Alberta livestock to B. C. packers and the total slaughtered in inspected plants in B. C. in 1936 were as follows:

	Cattle	Hogs	Sheep
Shipped from Alberta	49,224	106,885	54,460
Total Slaughtered	57,638	121,440	96,942

THE CHAIRMAN: That is in Vancouver?

MR. PEPPER: That is in British Columbia plants, yes.

THE CHAIRMAN: How many of those same grades of stock were slaughtered in Alberta plants?

MR. PEPPER: I think I have that here, sir.

THE CHAIRMAN: Your packing plants are controlled by pretty influential people, are they not?

MR. PEPPER: Yes, they are. We have a very good packing industry here, sir.

THE CHAIRMAN: They apparently could not impress their view on the Board of Railway Commissioners either?

MR. PEPPER: Apparently not. The total slaughtered here in 1936, cattle 99,000, hogs 666,000, sheep 30,000. There were also quite a few calves and lambs which are not in the comparison here.

THE CHAIRMAN: The number of cattle and sheep that went to British Columbia is relatively small compared with the number slaughtered here.

MR. PEPPER: Yes, but still it is the large percentage of the total slaughtered in British Columbia inspected plants.

THE CHAIRMAN: Yes.

MR. PEPPER: "May I also direct your attention to the transportation rates on packing house by-products as quoted in items 2, 3, 4, 5, and 6 on page 32?"

"Fertilizer, item No. 2, chemically prepared, from Warfield, B. C. to Eastern Canada, the rate is 55 cents per hundredweight. On stock fertilizer from Edmonton to Eastern Canada, a shorter haul by 363 miles, the rate is 95 cents per hundredweight.

Lard and lard substitutes from Eastern Canada to points in B. C. the rate is $1.00 per hundredweight. From Alberta to B. C., a distance 2,000 miles less, the rate is 98 cents per hundredweight.

On shipments of fish oil from B. C. coastal points to Toronto the rate is 65 cents per hundredweight. The rates on tallow from Edmonton to Toronto are $1.25 per hundredweight and $1.50 per hundredweight for inedible tallow and edible tallow respectively."

THE CHAIRMAN: Yes, we have those rates before us, Mr. Pepper, you need not read them all.

MR. PEPPER: Yes, they are all quoted there.

THE CHAIRMAN: It is to the same effect as those you have read?

MR. PEPPER: Yes.

" If we had rates somewhere near those given B. C. and Eastern Canada shippers, it would enable our packers to develop a larger market and increase the net value of these products. If our secondary industries can be developed it will stimulate mixed farming, lessen the dependence on wheat production and broaden greatly the taxation base of the province."

THE CHAIRMAN: It is now 1.00 o'clock; we will hear you further at 2.30.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

MR. PEPPER: Mr. Chairman and Members of the Commission: This morning we left off at the point where I was going to draw your attention to the rates on grain.

RATES ON GRAIN

"We admit in our submission that grain rates are low, but I am afraid that we have been too generous to the railways. Since preparing this submission we have discovered lower export rates on grain in Eastern Canada than those on the prairies. For example:--

	Miles	Rate per Cwt.
From Provost, Alberta, to Vancouver	944	.24
" London, Ontario to St. John	943	.16½ "

THE CHAIRMAN: Of course, I suppose there is the question of water haul competition, is there not?

MR. PEPPER: It is questionable if there is a water haul from London, Ontario. It may be potential competition, but I do not think it is actual.

I continue to quote:

"May I now direct your attention to a few statements made regarding the earnings of the railway by men who know? I refer to those statements of Sir Edward Beatty, Sir Joseph Flavelle, and Dr. Innes of the University of Toronto, quoted on pages 33 and 34."

COMMISSIONER DAFOE: There is a typographical error in your brief. The reference to Sir Joseph Flavelle, should be on page 34.

MR. PEPPER: It has been corrected, Mr. Dafoe. I will now direct your attention to the last paragraph, the last two paragraphs.

I quote:

REVISION OF RATE STRUCTURE IMPERATIVE.

"It is the opinion of the Edmonton Chamber of Commerce that there should be undertaken at the earliest possible date a complete and comprehensive examination of the nature and incidence of the railway freight rate structure of Canada with a view to effecting such revisions as will make it bear more equitably upon the various geographical divisions of the Dominion: such revision to take into account considerations of broad national interest such as the desirability of promoting more balanced economic development in the various provinces and in the case of some, handicaps imposed by nature; such revision to include the establishment of the principle laid down in 1914 by the United States Inter-State Commerce Commission and known as the principle of the "Spokane Rates Case" or some approximation thereto.

The Edmonton Chamber recognizes that such examination is not a matter to be undertaken by this Commission but submits that the disability imposed upon Alberta by Canada's freight rate structure as it exists to-day entitles this province to compensatory adjustments in other directions.

Gentlemen: Such is our submission on the disabilities arising out of national transportation policies."

THE CHAIRMAN: Mr. Pepper, the Chamber of Commerce has not any suggestion to make as to how it could lessen the national deficit of the railways, has it?

MR. PEPPER: I am afraid, sir, I have no instructions to make any such recommendations.

MR. IMRIE: Mr. Chairman and Commissioners; at the noon hour the Secretary and Manager of the Chamber of Commerce looked up three resolutions touching upon the attitude of the provincial government towards this question of immigration. Others, no doubt, can be found with greater time. The first of these is in 1910-11, The government of that time, protested to Ottawa against the surveying for settlements in outlying areas, at a time when immigration was quite heavy, and at a time when the land nearest the railways was, as yet, untouched. Mr. Charlesworth, provincial officer of surveys, was sent to Ottawa several times to confer and protest on this point. In 1928, the U.F.A. government protested further in the same vein. On February 25, 1935, a further resolution which touches both surveying and immigration--shall I read it, or shall I just file it?

THE CHAIRMAN: If it is short, read it; but if it is lengthy, just file it.

MR. IMRIE: It is written in longhand, so I think I had better file it.

Coming now to chapter 9 of the Chamber of Commerce's submission--may I say that without a shadow of a doubt our submission will be finished this afternoon. I do not want to weary the Commission. Excess of interest rates in Alberta over and above those payable in the older provinces, constitutes another disability of this province. It applies to public debt and to private debt, and its effect has been variously estimated at from $5,000,000. to $10,000,000 per year. Obviously, the development of Alberta involved the borrowing of large amounts of money, both by the provincial governments, municipalities and by individuals. If these borrowings had been taken from sources within the province, there would have been involved simply a

redistribution of wealth and assets within the province. However, as there was no particular accumulation of wealth within the province, most of the borrowings were from outside of the province. Now, the Chamber of Commerce admits frankly, and in an appreciative manner, the contribution borrowed money has made to the development of this province. Without it, development would have been much more slow and simple. The Chamber of Commerce believes, that, by and large, Alberta has suffered far more from too easy credit, than from difficulty in obtaining credit. For this, some measure of responsibility rests upon the lender, although admittedly, the larger responsibility rests upon the borrower. There is a saying, exaggerated as all such generalizations are, that it is impossible to get "dear money" in England. This saying reflects upon a particular tradition which moneylenders in England have to confine their lendings to projects that represent a reasonable risk, to check upon the purpose to which the money is to be put, and to charge interest rates accordingly. Much money was loaned in Alberta under circumstances quite contrary to those. Perhaps there was too little checking of the purpose to which the money was to be put and of the capacity of the borrower to pay. In a good many of such cases, it would have been better for all concerned if the amount loaned had been less, the checking as to its use had been greater, and the interest rate had been in keeping with the lesser risk.

THE CHAIRMAN: Mr. Imrie, you recognize that in considering public borrowings of the province and municipalities, there has always been great competition for these securities in the money markets. Where the credit was good, an interest rate was charged commensurate with that credit. Wherever the

the risk involved was great, the interest rate charged was higher. Much must depend, too, on the state of the money market at the time borrowings are made.

MR. IMRIE: That has had a very direct relation-- we admit that in the brief. Undoubtedly, some inducement had to be offered to attract money from the older, settled communities to a pioneer community such as this.

THE CHAIRMAN: It may be unfortunate that the interest rate is so high, but the interest rate is fixed in the estimation of those who have money to loan according to the nature of the security. The better the security is, the lower is the rate. There has always been keen competition for both municipal and provincial securities, until trouble arose.

MR. IMRIE: The argument in this chapter is preliminary to the specific recommendation in regard to the federal government's procedure in the matter of refunding and in the matter of the loan council. It has some reference to the standpoint, broadly speaking, of farm mortgages in Alberta. Before a rate of 8 per cent was established a rate of 10 per cent was not uncommon, and proceedings under the Farmers, Creditors Arrangement Act have revealed occasional, but not frequent, instances of still higher rates.

THE CHAIRMAN: These would probably be by private lenders, would they not?

MR. IMRIE: By private lenders, yes sir. The Chamber of Commerce admits freely that the cost of lending money in Alberta and the risks involved, were greater, on the average, than in the older provinces. It is submitted, however, that the extra cost and extra risks were not such as to warrant the excess in rate provided there had been exercised the greater care in checking the purpose of the

borrowings and the capacity to pay as has been urged before, interest and principle.

THE CHAIRMAN: Is that not a question of hindsight rather than foresight?

MR. IMRIE: Yes, Mr. Chairman, but we are dealing with the present and prospective situation, always in the light of past experience. We ask you to consider, for example, the position of an Edmonton district farmer, who, on December 16, 1929, when the price of NO. 1 Northern Wheat at Edmonton was $1.13 per bushel, borrowed $8,000. at 8 per cent. The interest obligation of $240. a year which he assumed represented 212 bushels of NO. 1 Northern wheat, as of that date. By December 16, 1932, the price of No.1 Northern wheat at Edmonton had dropped to $.22½ per bushel. On that later date the same interest obligation of $240. per year, represented to the borrower, 1,066 bushels of No.1 Northern wheat. Thus, the relative burden of interest to the borrower had increased five fold in terms of inroad on production of his chief product. To those who had borrowed at 10 per cent or 12 per cent, the increase in relative burden was still greater. It is important to note also, that this has a direct bearing upon our debt. It is important to note that arrears of interest compound much more rapidly as the rate of interest increases. Thus, at a higher rate of interest--this is on page 38 of the printed brief--the figures are given showing that whereas at 5 per cent, five years' arrears will add 27.6 per cent additional to the debt. If the rate is 12 per cent, the increase in the same length of time will be 76.2 per cent. If the interest is 8 per cent, the addition to the debt in five years is 26.9 per cent. A similar burden was borne by the municipal governments in increased interest and this was further affected by the fall in agricultural prices.

On the other hand, the burden of relief payments, necessitated by the increase in unemployment and distressed conditions in drought areas, necessitated a large increase in governmental expenditures and additional government borrowing. Finally, the Chamber of Commerce submits that the record of Alberta in the matter of defaulting, up until August 27, 1935, was particularly good. During that period, there had been no default in provincial obligations, and even up until January 31, of this year, there had been no default by any city, town, village or municipal district. The entire municipal record in this respect is clear, save for five towns, one village, one municipal district, and three hospital districts. All of these defaults were in relatively small amounts, their total being $124,512.50. This compares very favourably with the record of other provinces, even with Ontario and Quebec, as given in bulletin number 14 of the Investement Dealers Association of Canada, dated January,1938.

In that connection, may I recall that in the proceedings of the MacMillan Commission, one member of the commission made it a point to ask almost every banker making loans in the west as to what his experience had been, what his actual losses were. The answer to these questions, based upon the experience of those who were doing the lending up until that time, were very good. I will admit that substantial losses have occurred since the time of the MacMillan Commission.

Passing now to chapter 10, I do not think I need to read this chapter at all. It has to do with the interlocking relationship of the four disabilities which have been touched upon. It is considered by the Edmonton Chamber of Commerce as a rather important chapter. To make the point, I would practically have to read the whole text, and

I do not think I should do that at this time.

THE CHAIRMAN: We will give it our most careful consideration.

MR. IMRIE: I was going to ask you to give it your very careful consideration. There is an interlocking and accumulative effect upon this province for which there is no parallel in any province in Canada of these several disabilities. May I add one illustration of that interlocking effect. George Ross, a well-known rancher of southern Alberta, fifteen miles from the American border, has a ranch in Montana, just across the border. In a recent address to the western Canada cattlemen, he said that on the Montana ranch he had to raise ten cows to buy a car, while on the Alberta ranch he had to raise 22 cows to buy a car of the same quality. A lot of our people have friends and relatives across the Montana border and an illustration like that causes a certain amount of irritation.

THE CHAIRMAN: I suppose that is due to two causes. One would be that the price of the cow was substantially less on the Canadian side, while the price of the car is substantially less on the American side.

MR. IMRE: Yes, and freight rates and and tariff have a lot to do with it, too.

Chapter 11, deals primarily with freight rates and the disturbance of price relationship in Alberta through part of the depression. This was due in part and was accentuated in part by the national monetary policy and what, in the brief, is called the "special" tariff policy. Now, in reading what happened in the examination and cross-examination of Professor Upgren in Manitoba, the Chamber of Commerce has not gone far in its brief in its arguments concerning sound money versus inflation. Our approach is going to be

a combination, putting this on the basis of a combination of two policies. If you like, a definite policy in the case of the tariff and the absence of policy, in the case of the monetary regulations. I hope to avoid some of the pitfalls which were brought to light in Winnipeg. Now, this Chamber of Commerce proposes to argue against the special tariff policy in force at that time. That these two policies were conceived in what was believed to be the best interests of Canada as a whole, we do not question. On page 40 of the brief, is given a historical record of these two policies with which the commission is much more familiar than I am. It is pointed out that Australia and the Argentine, Canada's chief competitors in the wheat market, were operating on depreciated currency.

COMMISSIONER DAFOE: It is hardly accurate to say that Canada was on the gold standard at that time. Canada paid her debts to the United States in terms of gold, in the domestic field she operated under depreciated currency.

MR. IMRIE: I use the term "sound money" instead of "gold standard", having some authority at Ottawa for it, as of that date. It will be recalled that early yesterday reference was made to the fact that Alberta is engaged chiefly in primary production for export and imports from other provinces and countries forms approximately 75 per cent of what its people buy at retail stores. In this next paragraph of the Chamber of Commerce's brief, it is stated:

> "Under such conditions the measure of prosperity is determined to a large degree by the relationship between net receipts from exports of primary products after deduction of transportation and other carrying charges and net costs of imported secondary products including transportation and other carrying costs. Broadly speaking, and subject to a main-

"tenance of normal production, net prices for primary products at point of production may go down substantially without affecting disastrously the level of prosperity provided there is a corresponding reduction in net prices at point of use of imported secondary products. There is an obvious limitation to this broad statement as related to the servicing of public and private debt and to the current cost of government.

In Alberta, during the earlier portion of the depression, this basic price relationship was affected most deeply, it might almost be said disastrously, by the combination of national monetary policy and national 'special' tariff policy referred to above."

Now, our submission is that during that period there was an artificial interference with the cost of what our people had to buy and a refraining from interference through a monetary policy which affected not only the markets for our wheat, but also some seventy-five other countries in the world at that time which went off the gold standard.

Continuing to quote:

"Obviously, the net prices received for Alberta's exported primary products (chiefly wheat) were the prices paid in world markets, converted into Canadian currency at prevailing exchange rates, and with transportation, and other carrying costs deducted. The prices paid in world markets were on a depreciated basis in relation to gold and their conversion into Canadian currency on a gold basis represented a substantial reduction. Out of this reduced price Alberta exporters had to pay transportation and other carrying costs and of these

"rail transportation and insurance within Canada, had to be paid on a sound money basis. Rail transportation costs remained constant in terms of the Canadian dollar through this period but as they had to be paid by Alberta exporters on a sound money basis, their incidence, as a percentage of depreciated world prices received, became much more deep."

Now, this is the disturbance of the price relationship. I quote:

"On the other hand, national 'special' tariff policy during this period helped to deny to Alberta a corresponding drop in prices of secondary goods. On the contrary that policy, representing as it did a sharp accentuation of normal tariff protection, prevented even such measure of drop in prices of secondary products as would have occurred if only the normal measure of tariff protection had been continued. It is to be emphasized that this occurred during the same period in which national monetary policy was accentuating greatly the drop in net prices at point of production in Alberta of exported primary products.

It was this disturbance in price relationship within Alberta between net prices for primary products at point of production and net prices for secondary products at point of use that, coming on top of various other disabilities already cited, and in association with unchanged freight rates and interest rates caused such havoc in economic conditions in this province during the earlier part of the depression."

Elsewhere on page 42 and 43, it is recognized that the national monetary policy during this period benefited

substantially certain groups in Canada and groups in Alberta participated in this to some extent. On page 43, there is a table which shows the percentage relationship of gross agricultural production value for Alberta, and secondly, for the three prairie provinces as a group with that for all the provinces. It also shows the provincial debt and the municipal debt according to the same geographical divisions.

Finally, the Chamber of Commerce recognizes the great difficulty, if not the impossibility, of ascertaining, actuarially, at this date, the effect of that disability. It is admitted that the difficulty would be greater because of the time which has elapsed since the period in question and it is at this point that the Chamber of Commerce introduces its recommendation relating to the principle of the Australian Grants Commission. This was discussed this morning. The Chamber of Commerce submitted that a disability did exist and admitted the difficulty in estimating its exact monetary weight. This is one of the several arguments that provision should be made for the creation of flexible machinery for periodic adjustments in favour of those provinces which suffer disabilities as a result of the operation of national policies. It, therefore, recommends the establishment of a permanent board or commission somewhat after the pattern of the Australian Grants Commission which would reconsider at regular intervals what subsidies, subventions or grants should be paid by the Dominion to the various provinces; such reconsideration to be automatic, non-political, and based upon submissions by the various provinces as to what would constitute fair subsidies in view of their respective positions within the Dominion and the varying incidence upon them of past and current national policies.

THE CHAIRMAN: Mr. Imrie, in connection with this chapter which you have just closed, is it not the case that that policy, on broad lines, was a policy which was supposed to have reserved the markets of Canada for Canadian producers? It was submitted to the electors of Canada in 1930, and they decided in favour of it. It may be said that the results have been disappointing, in some respects disastrous to certain sections of the country. Is the only remedy not a constitutional remedy? When another election comes, if the electors decide that they prefer a different policy, they could signify that desire.

MR. IMRIE: Was it not in 1931, that the decision regarding monetary policy was made?

THE CHAIRMAN: The high tariff was in 1930.

MR. IMRIE: You mean the campaign in respect of a high tariff began then, do you not?

COMMISSIONER DAFOE: There were two tariff revisions, the fall of 1930, and the session of 1931. Undoubtedly, they were in fulfilment of the promise of Mr. Bennett, to the electorate. Then, in 1931, following Great Britain's departure from the gold standard, there was the enactment of the severe currency regulations. I do not think even Mr. Bennett himself, contemplated these during the election campagin of 1930 nor anything like as high a tariff as was actually introduced.

MR. IMRIE: I remember the question of unemployment relief and the question of providing employment figured in the 1930 campaign as a national emergency. The question of high tariff might have been connected with that.

THE CHAIRMAN: One reason was to aid in the unemployment situation. It was to provide additional work for Canadian workmen. This was one of the main arguments in favour of it.

MR. IMRIE: It was one of the main arguments along with such things as the Trans-Canada Highway and other public works. However, at that time, it was not known that Great Britain had gone off the gold standard and that seventy-five other countries with which Canada did business were going off the gold standard. Therefore, what took place in the next few years had some bearing on what would be a sound policy. We are not questioning whether or not it was a sound policy, but in any case, Alberta did not return a majority in support of Mr. Bennett.

THE CHAIRMAN: I am quite aware of that, but I am speaking generally, where you have a policy for a limited period. If you have a policy pursued by a government for a limited period which has the unquestioned endorsement of the people of the country, is it possible, in Dominion-provincial relations, that claims can be made by one section of the country against the other, because that section suffered by reason of that national policy inaugurated and carried out by a government which the people generally have elected. It is not passing any opinion upon the policy, and understand, you are dealing with a matter which is purely temporary. How can you deal with it in a question of Dominion-Provincial relations?

MR. IMRIE: If the question of how the people felt in 1930, is to be taken into account, you must also take into account, how they felt in 1935, that was with the hindsight, I suggest.

THE CHAIRMAN: The majority of the people in Alberta have been against hight tariffs for some time. I am speaking now, not of the question of tarrifs, but of the question of monetary policy to which you have referred, the temporary policy, the effect of which is now being discussed. How do you suggest that can be taken into account in Dominion-

provincial relations.

MR. IMRIE: All I want you to do, is to note it on broad general lines. I might say, in answer, that we have two main reasons for introducing this chapter. The first was to bring to light the effect upon Alberta of that combination and the second, because that was a temporary policy, to introduce our argument for the establishment of a body such as the Australian Grants Commission. Such a body, reaching a decision every year, would be able to take into consideration the immediate effect of the different policies shortly after they were inaugurated. Through the recommendations and observations of such a body the effect of the policies would have some bearing on governmental policy and upon public opinion, as to the soundness or unsoundness of continuing that policy. Supposing the situation existed for some sixteen to eighteen months, certainly, if the Australian Grants Commission method were followed, there would have been a report or recommendation by the Grants Commission which would have been able to estimate the effect of that policy even better than we can to-day, because such a body would be closer to the picture. Our main submission is, that if we are going to have national policies on various questions, the effect of which will be different in different sections, then, as I said this morning, we ought, in fairness to all sections, have some machinery for weighing the incidence of such a policy quickly. Otherwise, there is bound to be created, in different parts of the country, a sense of grievance or injustice.

COMMISSIONER ANGUS: Have you any example of an elected legislature deliberately setting up an expert body to criticise its actions, because it almost comes to that to have a body which will hear experts and then criticise the

government's action.

MR. IMRIE: I wonder if there is really criticism involved in such an action. In any case, we have the example of the Australian government. In Australia, it seems to have worked in the direction of lessening territorial grievances and friction.

COMMISSIONER ANGUS: I suppose we are holding different views as to whether a national policy might be criticised by such a body?

MR. IMRIE: I do not think criticism is involved; it is more the question of weighing, geographically, the effect of a policy. It is a question of weighing that actuarially, from an economic standpoint, the incidence of that taxation on the various parts of the country. This does not involve criticism in any degree, except in our present concept of weighing those things actuarially from an economic standpoint.

COMMISSIONER ANGUS: From our discussion of this morning, I thought the Grants Commission did not weigh the incidence of national policies, but considered the opinion which arose through different circumstances, and made recommendations on that basis. It certainly kept very, very clear from a pronouncement on the wisdom of policies, and went so far as to say, that if a policy did bear heavily upon someone, it was for parliament to say whether there should be any compensation or not.

MR. IMRIE: The Chamber of Commerce has not suggested that this body should pass judgment on the wisdom of parliamentary action, that is not in our thoughts at all. We believe that it should be a weighing body, which will weigh the incidence of national policies on the different sections of the country.

COMMISSIONER ANGUS: Does it not almost come to that?

If a Commission is set up after a tariff is enacted and that commission is free to say that the effect of that tariff is prejudicial to certain provinces. It is free to say that in electing the government, that province affected was subject to a misunderstanding. This commission might say, "We find that province was prejudiced and we assess certain damages as payable to it." Does that not amount to suggesting or does it not carry the implication that the parliamentary decision was unfair?

MR. IMRIE: If it was put in those words, I think it would, but I do not think that it is necessary to use such words. It is simply a question of weighing the relative weights. I do not think that involves prejudicing. So far as compensation is concerned, all the commission would say would be that they should be compensated, that is as far as it would go. One thing the Chamber of Commerce is convinced about is that there must be some other method than this haphazard method which we have to-day. After a good deal of study and thought, the Chamber of Commerce has selected this method as the one which is best suited to our needs. It is an experiment in Australia, but at least, we think something after that fashion would be better than what we have to-day.

COMMISSIONER ANGUS: Would not such a thing mean that a minister would have to come before parliament and say, "Gentlemen, my measures are haphazard. I must appoint a body to correct them." ?

MR. IMRIE: What has parliament done with the appointment of this Commission? Parliament has said this is something, the very nature of which can best be handled by a Commission. The solution of this problem can be best arrived at by a body such as this one. This Commission will go on and tell parliament what it finds. The wisdom of this

move certainly is evidence of the common-sense of this parliament.

COMMISSIONER ANGUS: A commission once in seventy years is not the same as an annual commission.

MR. IMRIE: There would be much less work for an annual commission.

COMMISSIONER MacKAY: Do you not think that a better decision can be reached by considering the fiscal need of the province? The maritime provinces, Nova Scotia, and Prince Edward Island have suggested fiscal need as the basis for considering the assistance to be given each province. Have you given any thought to that aspect of the question?

MR. IMRIE: Frankly, I will tell you, that I do not think it is a good policy. We have heard a great deal about inferiority complexes. To make it necessary for a province to base its appeal on need, is to justify the development of an inferiority complex, and that, in turn, is to justify the development of other needs which are not in the broad general interest, within a democracy. This is one great quarrel which I have with the technique of the Australian Grants Commission. I think it puts too much emphasis on that point. The Chamber of Commerce shares that view and feels that it will be better for Canada if, while adopting the broad general pattern and idea of the Australian Grants Commission, the basis were one of equity rather than of need. We do not want inferiority complexes in these different geographical divisions of Canada. We want to feel that we are Canadians, first, last and always.

COMMISSIONER ANGUS: Would you apply those reasons to the question of unemployment relief? Would you put it on

the basis of need, or would you think that would produce an inferiority complex?

MR. IMRIE: In the case of unemployment relief, you have it spread over the nine provinces. You are not treating one province as different from another. You are not treating one province as an entity, that is, in a different position, as to self-respect and need from the other provinces. Therefore, I think the two are entirely different.

THE CHAIRMAN: Then the next is chapter 12.

MR.IMRIE: This chapter obviously is one that we approach with some diffidence, because it is so much more difficult for a non-governmental body to present than for a government body. On page 44, on the first half of the page, there is reviewed four factors which have combined to lead Alberta in common with certain other provinces into types and extent of taxation which, we submit, could not have been contemplated in 1867 when the B.N.A. Act was passed. We commend those four subdivisions to your reading. It is proposed in this chapter to deal with certain aspects of the matter of taxation in Alberta, and in the next chapter to consider what changes should be made in fixing governmental responsibility for administration in Canada of social service. On pages 44 and 45 there is recalled certain aspects of the original division of taxation, particulars of which I need not review orally.

The Chamber does not question the fairness, in the light of conditions as of 1867, - the division of taxation powers then made, but as has been pointed out already, the framers of the B.N.A. Act did not and could not envision the necessity of providing for the wide number of social services which today are accepted as a necessity, and probably did not envision the later interpretations of the B.N.A. Act by the Privy Council. Therefore, they did not and could not have been expected to anticipate the extent of the additional governmental expenditures which will be required for this purpose, under interpretation of the B.N.A. Act.

It is clear that at the time of Confederation the intention was that the Dominion Parliament, with its wide taxing powers, including Customs and Excise, should

finance the more expensive Governmental functions, while the provinces should handle the relatively inexpensive local government requirements, largely by means of assistance from Federal subsidies. That view is supported by a quotation from a speech by Sir Alexander Galt, on page 45.

On page 46 is shown the diminishing relations of Dominion subsidies to the total revenue of Alberta. In 1906, the first year after Alberta became a province, Federal subsidies constituted 72.3% of total provincial revenue. By 1936, that percentage had dropped to 10.7%. Another table on page 46 shows the chief sources of provincial taxation for the fiscal year ending March 31st, 1937, in Alberta. The gasoline tax, and profits on liquor, supply 18% each. Fees of various kinds supply 17%; automobile and other licences, 10%; real and personal property taxes, 9.5%; sales tax, 7%; and corporations tax, 5.3%. There is touched upon the urge which drove Alberta, in common with other provinces, into new sources of taxation, and it is pointed out that one in particular of those, in the opinion of the Chamber, runs counter to the spirit of the B.N.A. Act; and that another serves to set up the equivalent of a provincial tariff against the province's interests rather than for them, because of the difference in the Workmen's Compensation Act requirements. Alberta lumber men, for instance, rate an increase in their cost of lumber products as compared with other provinces by some fifty cents to one dollar per thousand board feet; in other words, from five to ten per cent.

THE CHAIRMAN: Why should the Workmen's Compensation costs be higher in Alberta than in British Columbia?

MR.IMRIE: Well, in this particular field there is a much smaller number employed, and therefore the unit

cost of administration is very much higher. The two tables on page 47 have to do with the steady increase in provincial per capita revenue and expenditures, respectively. The per capita revenue has increased in each five year period from $7.70 in 1906 to $21.61 in 1936, the latter figure representing an increase in thirty years of 280%.

In this steady mounting of per capita revenue and per capita expenditures, education has played a large part. On page 48 are figures showing the steady increase in schools, teachers, and pupils; provincial expenditure on education, exclusive of bond interest, having increased from $196,000 in 1906 to almost two and a half millions in 1936. These are provincial expenditures only, and do not include expenditures by municipalities upon which, in the main, this particular burden falls.

Then in another table, on page 48, is shown the steadily mounting costs to the provincial government of all social services, including education; in 1906, $293,000, and 1931, a peak of $10,575,000, which was brought down by 1936 to $6,950,000.

THE CHAIRMAN: Was that principally on relief?

MR.IMRIE: Relief borne by the province alone entered largely into the figure, and then other curtailments because of the depression had not become effective by that date, but were effective by 1936. On this same page, 48, an attempt is made to combine the provincial, municipal, and school district expenditures for the year 1934, being the last year for which complete statistics are available, under two main headings; first, administration, public works, protection of person and property, and legislation. Second, social services of all kinds. It is admitted frankly that the result of that attempt is simply an approximation, but it indicates that 61% of the combined

expenditures of those three bodies were for social services, including education, health and sanitation, and relief. Admittedly the percentage was higher in that year than it was say in 1928, or 1929, when relief did not entail as great an expenditure.

Another table on page 49 indicates the heavy incidence in Alberta of taxation upon property, mainly upon land. It shows that approximately 60% of taxation revenue, municipal and provincial, combined, is being derived from property taxes, which are really taxes upon capital of a particular kind.

THE CHAIRMAN: It is substantially the municipal taxes; the property tax of the province is less than one million, and in the municipalities, sixteen million.

MR.IMRIE: Yes; the details are given there on page 49.

THE CHAIRMAN: I was just wondering what the difference was.

MR.IMRIE: It is given right there on that page, sir. It is interesting to note that the percentage of revenue from taxes on property is practically the same as the percentage of expenditures on social services, including education, by the province for that year.

At the close of page 49 the Chamber presents certain conclusions from its examination of the present taxation position in Alberta. May I read that?

THE CHAIRMAN: Certainly.

MR.IMRIE: It reads as follows :

"(1) The distribution of taxation powers as between the Dominion and the provinces has failed to coincide with the division of authority to enact legislation Dominion subsidies, which were intended to enable the provinces to finance their limited expenses, are wholly inadequate to meet the

heavy financial responsibilities now imposed upon the provinces. In Alberta, the subsidies now account for approximately 10% only of the province's total revenues. The cumulative increase of expenditure has resulted in the placing of an unfair burden upon property. The main reason for the heavy increase in provincial taxation appears to be the cost of social services. In the next chapter it is proposed to deal with the solution which the Edmonton Chamber considers advisable for that difficulty.

(2) The burden of taxation has increased continuously since Alberta became a province and it has now become too heavy a burden upon the taxpayers. The weight of taxation has continued to increase without alleviation even during periods of economic depression when it was even more difficult to carry. Nevertheless, almost without exception, provincial governments have failed to balance their annual budgets. It is proposed in a subsequent chapter of this submission to deal with the heavy increase in the provincial government debt and with recommendations looking to the balancing of government budgets over a period of years."

In Chapter 13 the Edmonton Chamber, like many other bodies across Canada, expresses the belief that the time has come for the Dominion to assume entire responsibility for certain social services, and to increase substantially its contribution to the cost of certain other social services. The Chamber's submission on this point is partly on four grounds, each of which has been presented to this body at various other sittings. Namely, the original intention of the Fathers of Confederation, of financial cost presently involved, of the stronger financial position and wider

taxing powers of the Dominion, and of a more equitable levy on the people of Canada as a whole. But there is a further, and I might call it a more spiritual ground on which the Chamber's submission on this point is based, - from the standpoint of broad national interest, it is desirable, in the opinion of the Chamber, that the Dominion should have responsibility in more matters that touch deeply and intimately the lives and the welfare and the ideals and the aspirations of the Canadian people.

Unfortunately, this is not so to any large extent at present. For example, as the Chamber points out, it is not to be expected that much national spirit will be aroused by such matters as "The raising of money by any mode or system of taxation",- "Beacons, buoys, and lighthouses"; or over the raising of moneys by any kind of taxation, or over bankruptcy or insolvency.

It seems desirable, to the Chamber, that to those matters that are of a mundane character there should be added, from the standpoint of public interest, certain matters which will have an emotional, an inspirational appeal to the people of Canada from coast to coast; something that will appeal to the finer qualities, to the spirit, to the emotions, to the ideals, of the Canadian people. It is submitted that such things as the attainment of a better state of public health, of a larger measure of social security, of higher standards of living, of better working conditions, are subjects which give scope for emotional cooperation, irrespective of provincial boundary lines.

The Chamber submits that if we are to maintain and intensify the idea of national unity, and national, spirit, the Dominion, as such, must be made to mean more in the intimate every-day lives of the Canadian people, than it does today. It must not be simply a body that

imposes taxes on us, and that sort of thing; it must be actively and continually engaged in fostering things which make for the well-being of the Canadian people in their intimate, every-day lives, - things that will have a more or less common appeal in every part of Canada, from the Atlantic to the Pacific. The Chamber feels that only in this way can the handicaps of our great distance and our great national barriers, that tend to separate our people into widely separated groups, be overcome.

There must be some inspiration, some idealistic force that tends to unite them together. It is on that basis, as well as on four others which have been dealt with more or less fully in other submissions in other provinces, that the Chamber bases this submission.

Now, I do not think I need go over the rest of page 50 or 51. This Commission has heard in the past various submissions along almost the same general lines. At the top of page 52, there is the Chamber's definite recommendation in this respect. However, before giving that, may I point out that in the more populous and more wealthy provinces the anomoly of wide provincial legislative rights, coupled with narrow taxation powers, might be overcome by an increase in the authority to tax. The Chamber does not consider this to be a desirable or sound solution; in any event, in Alberta, as in certain other provinces, such a solution is not even possible. Therefore on this and the other grounds already cited the Edmonton Chamber submits that the adjustment which should be made in this respect is by way of increasing the legislative jurisdiction of the federal authority so as to give it specific authority in respect of the following social services and social legislation, - namely, unemployment relief, unemployment insurance, old age pensions, pensions for the blind, widowed mothers'

allowances, public health, hours of work, minimum wages, workmen's compensation, jails and reformatories, and life, fire and other forms of insurance.

In addition, it is recommended that the Dominion should furnish substantially increase assistance in financing: first, to the cost of education, which, for obvious reasons, must be kept within provincial control; and second, the construction and maintenance of main highways, both across Canada and from the international border northward to the various national parks.

The Chamber recommends that any such drastic re-adjustment of responsibility will involve a drastic re-adjustment of taxing powers, and therefore submits that, partly as compensation for this additional expense, and for further reasons indicated further on in this chapter, the Dominion be given exclusive powers in respect of the following types of taxation, namely: Income tax, succession duties, sales tax, and corporation tax. Certain additional reasons for the recommended re-adjustment of social service responsibility and taxing power are given on page 52 of the submission, which I will not read but will commend to the Commission. The chapter concludes with another quotation from a statement by Professor Norman Rogers on this point.

COMMISSIONER DAFOE: Mr.Imrie, I assume that the recommendation for the transfer to the Dominion of these responsibilities involves Dominion administration?

MR.IMRIE: Quite, and by the way, I am glad, sir, that you have asked that question because it helps to answer a point which one of the Commissioners raised this morning. It involves Dominion administration, and therefore a more or less uniform standard across Canada, subject,for certain obvious reasons as to differences in costs in

different provinces which might require some adjustments.

COMMISSIONER ANGUS: Mr.Imrie, in the earlier sections of the brief you have explained to us that the number of policies framed by the Parliament of Canada, and framed in the National interest and public interest, have nevertheless operated very badly in the case of Alberta, and that if there had been provincial control of these policies the province might have acted differently and might have obtained better results. This involved land grants to railways, land settlements, production of wheat in war time, tariffs, railway rates and monetary policy, or the absence of monetary policy. Now, is that a safe foundation on which to build a conclusion? That it is safe to hand over the direction of social services to the Dominion? From the point of view of this Province is it likely to administer these well?

MR.IMRIE: Mr.Commissioner, I do not think I went anything like that distance. I do not think I suggested that tariffs should have been controlled by this province. On the contrary, I spoke against the principle of regional tariffs. I do not think I suggested freight rates should be controlled by this province.

COMMISSIONER ANGUS: But at any rate, that those policies promoted at Ottawa have not operated well in the case of this province, or have not been offset by the right kind of concessions.

MR.IMRIE: I think my whole argument was that there were certain national policies which, in the very nature of things, and having in mind the different conditions in different provinces, were bound to have an incidence on the different provinces and I simply attempted to weigh their incidence on Alberta. In the case of actual land settlement policies in this Province, I tried to be

most careful to point out that I was viewing the matter by hind sight rather than by foresight, and I was not suggesting that the policies were conceived in other than what was believed to be the best interests of all concerned, which included the whole Dominion. But there too, I was simply weighing or attempting to weigh, their effect on this province as a whole.

Now, answering the other part of your question, rightly or wrongly, the Chamber's imagination has been appealed to very strongly by the appointment of this Commission. As one of the commissioners suggested a few minutes ago, this is the first of its kind in seventy years, and the Edmonton Chamber's imagination has been greatly appealed to by the appointment of this Commission, and has interpreted such appointment as an earnest effort to bring about a larger measure of equity of incidence from coast to coast in Canada, and as an earnest effort to get at the weaknesses in our national governmental pattern, both federal and provincial, and to start Canada on a new basis, shall we say. In fact, we concur heartily in the view expressed by other bodies, that this Commission is, in a sense, "Fathers of Re-Confederation", and we prefer to approach a new era, that we hope will follow the solution of these different problems, and the action that will be taken, - we prefer to approach that era with an open mind, if you will, believing that much good, a tremendous amount of good, will result from this; that all of us who are thinking Canadians will be given a new vision of the fundamental purposes of Confederation, and will be imbued with a new desire to make a new attempt to make this thing work. From that standpoint and in that spirit, the Edmonton Chamber is quite prepared to address all of these various and large powers and responsibilities to the Federal authority.

COMMISSIONER ANGUS: I want to make one more point, Mr.Imrie. Dealing with the other provinces who have had the advantage of hindsight, and the responsibilities that are now proposed to be transferred to the Dominion, - we have to try to exercise foresight,-does the suggestion that these can be undertaken by the Dominion. involve an assumption of a common outlook throughout Canada on these social questions? I am asking that very seriously. I think it applies to my own province as much as to Alberta. The question is, whether, in the West, there is not rather a different or perhaps more generous outlook on some of these policies than there is in some of the Eastern provinces; and that if these wide powers were transferred the effect, in some cases, might be to lead them not to be exercised at all. That is to say, the rate of progress in these matters might be slowed down rather than accelerated; that one would advance at a pace at which the whole of Canada would advance, which might be slower than the pace which some province alone would undertake. Of course, if a province cannot afford to do it, that might make it very willing to accept the common control, but if a province feels it can go ahead, may it not be very dangerous, in the sense of which you spoke of it being dangerous this morning, to create dissatisfaction, - very dangerous to feel that it is being handicapped or hobbled by a Dominion policy, based on an outlook which it does not share?

MR.IMRIE: I think that is a very pertinent question, if I may presume to say so, and I shall address myself to it. It is not unnatural, and there is good historic precedence, by the newer parts of the United States going further in their ideals and plans, and even efforts, in such fields, than by the older parts. We have seen it in the United States, looking over the history of development

in that country; each successive wave of settlement in the United States set up a new era of - I was going to say radical thought, - but I do not mean quite that, - forward looking thought, and that was more willing to take a chance than were the more conservative areas from which those people had come. Indeed, they came, in many cases, because they were of that type. Now, I will admit that to have given full effect over the nation of those more radical views, would have been unwise in certain cases, but I submit that the play and inter-play of the more conservative views of the older areas and the more radical views of the newer areas, if brought to play upon matters that are under federal control rather than provincial, will assist greatly in striking a proper and desirable balance for the nation as a whole. There is a little story about fleas having some good purpose on a dog, and without suggesting that any of these more radical views are in the nature of fleas, ---

COMMISSIONER MacKAY: You are not suggesting the Western provinces?

MR.IMRIE: No sir. I think I was dealing with the United States.

COMMISSIONER ANGUS: Or comparing the Eastern ones to the dogs?

MR.IMRIE: No, but they do, I think, in the sum total, have a stimulating analytical effect, and I think that would take care of itself. There would be a difference in the point of view, no doubt, but there would be a bringing closer to realities, of the more radical point of view, and there would be perhaps, one might hope, a development of an outlook in the more conservative areas that would be promoted to examine into the conditions that prevail in certain of the other

provinces. Does that clear up the point, sir?

COMMISSIONER ANGUS: Yes.

COMMISSIONER SIROIS: The question of the transfer of responsibility to the Federal jurisdiction is a very heavy problem.

MR.IMRIE: Yes, but the heaviness of a problem should not in itself deter us from tackling it; it might serve as a challenge to the best that is in us.

Then, may I pass to chapter 14. This chapter the Chamber considers a very important one. It deals with Alberta's contribution to the taxation base of the Dominion and other provinces. Quite frequently speakers in Ontario, for instance, will quote the percentage that Ontario contributes to the Federal wealth, and the percentage that one or two other provinces contribute, and will deduce therefrom that the prairie provinces are mendicants, and that these older provinces are the suppliers

The Chamber submits that Alberta's contribution to the taxation base of the Dominion is far beyond anything suggested by official figures of revenue accruing to the Dominion from within the boundaries of this province. Further, that Alberta is making a large indirect contribution to the taxation base of several other provinces, principally Ontario and Quebec.

These two facts, in the opinion of the Chamber, have a very direct bearing on the fairness or otherwise of certain of the recommendations that the Chamber is making. It has been noted already that this is an agricultural province primarily, selling the bulk of its products in other countries, and buying the bulk of its finished products in other countries, and sending to such large sums annually as interest on borrowed money. It has been noted further that twenty leading wholesale houses in

Edmonton have reported that more than ninety per cent in value of their sales in 1937 were of products produced in other provinces, and other countries; and that 75% of the value of what people in this province buy comes from other provinces and countries. It is evident, from an analysis the Chamber has made, that extra provincial individuals, firms, and corporations, control between ninety and one hundred per cent of all the banking, trust companies, fire insurance, railroads, farm implement manufacturing, money lending on mortgages, life insurance, and department stores sales, in Alberta, and also large proportions of other manufacturing, grain buying and selling, wholesaling, flour milling, meat processing, dairying, and retailing by other than department stores.

This means that whereas a major portion of Alberta's income is derived from other countries, outside of Canada, a major portion of it is spent in other provinces of Canada. It means also that an appreciable portion of certain dominion taxes and duties paid in other provinces, and credited to such provinces, is paid in the final analysis by the people of Alberta.

There is quoted on page 55 a reference to Mr. Fraser Elliott's evidence at Ottawa, confirming that view.

Again, because Alberta is an inland province, most of the merchandise imported for use in Alberta, either in the form in which it is imported or after processing in other provinces, comes into Canada through ports of entry in other provinces, and the customs duties and sales and other taxes paid thereon at the port of entry are credited to such other provinces.

Further, the handling of wheat in Alberta, in common with that of Saskatchewan and Manitoba, has led to the erection of numerous large elevators at Fort William,

Port Arthur, Toronto, and other points on the Great Lakes, at Montreal, at Winnipeg, Vancouver and Prince Rupert; and to an enormous grain carrying trade on the Great Lakes system and on the Atlantic and Pacific Oceans.

I do not think that I should take time to go through that.

THE CHAIRMAN: I do not think there is any doubt, Mr. Imrie, of the general soundness of the proposition you are submitting.

MR. IMRIE: Well, I will just commend the rest of that chapter to the careful consideration which I am sure you will give to the whole brief.

There is developed also a point that for similar reasons there is an indirect contribution in a substantial measure to the taxation basis of several individual provinces in particular, and therefore the Chamber submits, with all respect and in an assertion of its own self-respect, that this province is not a mendicant, - that it has contributed very definitely and indirectly to the taxation base of the Dominion and of various other provinces, to a degree that is not at all suggested by the figures of provincial origin of federal tax.

Now, I come to the last chapter, No. 15, except for the summary of recommendations. I repeat, as I said at the outset, that the Chamber had hopes that the provincial Government would have been authorized by the legislative assembly to appear before this Commission, and that therefore it would not be necessary for the Chamber to develop this chapter. You will appreciate the diffidence with which I approach it under those circumstances.

Paragraphs 3 to 6 on page 57 deal in round figures with the position of Alberta's provincial debt as at March 21st, 1936. There follows a brief history of the increase

in the provincial debt. For four years after its creation as a province Alberta remained free from provincial debt. In 1909 it incurred a debt of $2,000,000, incurred if I remember correctly, for the erection of the university. This figure remained constant until 1912. Commencing with that year there was an increase in provincial debt in every year save one up to and including the fiscal year ending March 31st, 1936. At that date the net provincial debt was ,roughly, $167,000,000. Against this there might perhaps be offset certain loans advances, accounts receivable, guarantees, at present self-supporting, and an investment in Alberta Government telephones, exclusive of rural lines, amounting in all to $33,000,000. If this were done, there would remain $134,000,000.

These successive increases in provincial debt were due in part to capital borrowings, in part to the capitalization of budget deficits, or annual deficits. They resulted, of course, in cumulatively heavier carrying charges, which in turn accentuated the tendency towards budget deficits.

With the arrival of the depression the province faced a very heavy debt load, a deep impairment of its taxation base through an unprecedented drop in agricultural prices, and the necessity of obtaining a large amount of money for relief purposes. During the seven fiscal years ending March 31, 1937, total relief expenditures, as reported in the public accounts, aggregated $35,000,000 including contributions by the Dominion and the municipalities. The province's share was $15,000,000; that of the Dominion $13,000,000; and that of municipalities $7,000,000. The Province borrowed $9,000,000 of its share from the Dominion and a further $3,000,000 which it re-loaned to municipalities. (Page 6108 follows)

The tax burden has been increasing steadily notwithstanding heavy reductions in income during the depression years. There is cited on page 58 a statement by the Bank of Canada following its investigation, which at page 37 of its printed report says:

> " 'We are of the opinion that the scale of taxation in Alberta in 1937-38 will be approximately the same as in the other prairie provinces and we are not prepared to say that a further increase in taxation would be practicable or desirable under existing conditions.'
>
> Relief from this tremendous burden of interest payments was sought by the Alberta government in 1936, when on May 30th, interest on provincial bonds, savings certificates and debentures, guaranteed by the province, was cut in half, provided the reduced rate did not fall below 2%.
>
> The Chamber, without acquiesing in this means of attempting to obtain reliefrom the weight of servicing the provincial debt, submits that the burden of interest payments at their present level is too large to be met by provincial revenues."

The Chamber recommends in this connection that the Dominion should furnish assistance to Alberta in two ways:

First, by cancelling the debt owing by the province on account of advances for unemployment relief. That is perhaps a natural corollary of the earlier recommendation about the Federal assumption of costs of unemployment relief, although it does not involve making that earlier recommendation retroactive in full.

Second, by assisting in the orderly refunding of the province's debt at lower interest rates by means of a Dominion guarantee.

The Dominion realizes frankly that if the Dominion is to be asked to put its credit behind that of the province for the purpose of a refunding at lower interest rates, it has a right to some reasonable measure of protection in control over future borrowings and the Chamber, as a group of business men, is quite prepared, in theircapacity as citizens of the province, to see an arrangement of that kind brought about. It therefore recommends indeed the formation of a loan council to be composed of representatives of the Dominion and of the province for that purpose, on the understanding that restrictions upon the borrowing powers of the province should be the minimum compatible with reasonable protection to the Dominion.

Following this, the Chamber's Brief, like a host of others, emphasizes the need for curtailing the continuous increase in government expenditures, both by the Dominion and by the province. There is specific mention of duplication of governmental service in the field of insurance, agriculture and research.

The Chamber is impressed with the need of bringing home to the average citizen in this and other provinces to a larger extent than exists at present, the fact that he or she is contributing definitely and substantially to the cost of government in Canada. It would appear that many people are under the impression that his or her contribution is negligible, no income tax and so on, and they overlook the indirect contribution that is being made. The Chamber recommends, therefore, that so far as possible the forms of taxation of both the Dominion and the province should be such that the largest possible percentage of total revenues would be secured through visible, rather than hidden taxes. Take for instance the Sales tax. There are cases on record where public revolt against a Sales tax has

compelled its abandonment. Why? Because the Sales tax as administered was visible, and everytime a citizen purchased something, the payment of the Sales tax was a reminder, and an irritating reminder, that he was contibuting to that extent to the cost of government, and that quickened in him a new interest in the cost of government, and prompted in many cases a demand for cancellation of the tax.

The Chamber is greatly concerned about the confessed inability of governments, both Dominion and provincial, to balance their budgets. The capitalizing of resultant deficits represents in itself a heavy increase, in some cases an annual increase in public debt, and consequently in carrying charges.

> " The Edmonton Chamber, representing as it does a group of business men, suggests the application to this problem of two principles that are recognized as sound business practice. These, translated into terms of government financing, are as follows:
>
> First, the application of revenues derived from capital, such as timber dues and mineral royalties, to the reduction of debt rather than the treating of same as ordinary revenue.
>
> Second, the utilization of increased revenues during periods of prosperity to reduce debt and (or) build up surpluses as an aid in meeting periods of depression."

It may not be possible for governments to balance their respective budgets in each and every year but this, it is submitted, should be possible over a period of good and bad years.

> "Taxes are much less onerous in good years than in bad years. Yet the tendency of governments, broadly

speaking, is to reduce taxation in good years, because of larger revenues resulting from individual taxes, and to increase them during bad years because of the drop in revenues from individual taxes.

The Chamber submits if taxes were continued in good years, when they bear less heavily on taxpayers, and surpluses in such years were used to retiire public debt and (or) as a reserve against deficits during bad years, the burden of government in relation to the ability of the citizens to pay taxes would be spread more evenly over good and bad years.

THE CHAIRMAN: The unfortunate difficulty in keeping the tax rate so as to produce a surplus is that elections come along periodically and the government of the day likes to reduce taxation. I am afraid you will have to educate the governments before you get these principles applied.

MR. IMRIE: I believe that is dealt with in the last sentence in that paragraph:

"Moreover, governments utilizing surpluses in good years to reduce public debt would put themselves in a more liquid position for borrowing during bad years if, under such a policy as is suggested, this should prove necessary."

The Chamber is aware that the Saskatchewan government in its submission held that it was impossible periodically to continue in good years forms of taxation that were required in bad years, in other words, to build up in good years as against the bad years that must follow. The Chamber recognizes in part at least periodical difficulties in this respect, but submits that a formal recommendation along this line by this Commission would be of great help as a basis for creating public opinion in support of this practice. The recommendation could be used to great advantage

by non-governmental bodies in bringing about a new point of view on the part of the average citizen in this regard.

If this Commission could have heard the discussions at two meetings when this question was gone into quite fully, they would have realized how serious and earnest the Edmonton Chamber is about it.

THE CHAIRMAN: There is no doubt of the soundness of the view as emphasized in this paragraph, in my opinion at least.

MR. IMRIE: It is something that is in actual practice in every good business institution. In good years the profits that accrue are used to retire bank loans, to retire debentures, even to retire preferred shares, and one of the reasons for it is that directors realize that the inevitable bad years are ahead and think this is the time to trim the sails and get everything in ship-shape order. That argument was prompted by personal experience of many men who sat around the Board and they deplore what they recognize to be so, that political interests make it very difficult to apply that principle to public financing. But they venture, with all respect, to suggest that if this Commission could give some lead in that respect in the way of a formal recommendation, that would greatly assist the efforts of bodies like ours to inculcate that idea among the private citizens.

THE CHAIRMAN: Thank you.

MR. IMRIE: I have just been reminded that in Sweden where, of course, conditions are quite different because of a homogeneous closely concentrated population, there has been carried on during the past four or five years, a consistent year after year retirement of debt, by the very principle that is urged here. Taxes were maintained and the per capita debt of Sweden to-day is approximately, I am

speaking from memory, approximately half what it was five years ago, simply because public opinion was aroused to deal with the situation and to deal with it during the period of relatively good years.

THE CHAIRMAN: If anything can be done to arouse the public opinion of Canada with a view to reducing the burden of debt that is upon the people of Canada, it certainly would be in the public interest that it should be done.

MR. IMRIE: I come now to certain related questions of private debt. The Chamber is unable to estimate with any degree of accuracy, the total private debt in Alberta. It may be mentioned simply by way of illustration that the census of 1931, the last federal census, reflecting more or less a pre-depression picture, indicated that 39% of the owners of farms in Alberta had mortgages to meet averaging $9.00 per acre. That percentage does not include various encumberances such as associated with agreements of sale, rather than mortgages, but the average of $9.00 per acre is significant.

> "The precipitous decline in agricultural prices during the depression and the consequent impossibility in many cases to meet even interest payments, coupled with the resulting fall in values of farm lands, has meant that in a number of instances the farmer's equity in his land has been wiped out. Rates of interest fixed in period of good prices could not be met out of reduced grain and other yields at much lower prices.
>
> Thus the accumulation of debt obligation on many farms created for the individual farmers concerned a grave problem and resulted not only in a heavy financial burden but also in an impairment of morale.
>
> Early in the depression Alberta enacted so called

"debt adjustment legislation which really provided only for the prevention of legal proceedings by creditors without the leave of a government board. More recently the Alberta Legislature sought to reduce private debts by way of a horizontal cut in interest on debts arising before a certain date. This however was held to be ultra vires. It has also applied from time to time moratoria postponing the payments of debts.

The Chamber feels that any attempt to reduce indebtedness by means of a horizontal cut is inequitable. It feels that the proper course is to assess each case upon its merits. It therefore approves of the principle - " I am reading from page 60 - "embodied in the Farmer's Creditors Arrangement Act, 1934.

The Chamber also recommends that the efficiency of the operation of the Farmers' Creditors Arrangement Act should be increased. At present a source of difficulty lies in the delays resulting from too much work being given to existing Boards of Review." - including Alberta - "It is therefore recommended that the number of such Boards be increased in provinces in which that need exists.

It is also felt that an attempt should be made to define more closely the scope of the authority of such Boards. Considerable variation has occurred, since the Act first came into force, in the proposals made by Boards of Review. This would be diminished if the limits of authority were more clearly defined.

The Chamber also feels that the interest of the parties affected by any proposal of a Board of Review should be more adquately protected by a more clear

"definition of the remedies available where a default has occurred in carrying out such proposal. The Chamber feels that the above recommendations would result in a more speedy and uniform operation of the Farmers' Creditors Arrangement Act, and it submits that the principle of individual debt reductions in deserving cases is the proper one to be applied in solving the problem of private farm debt."

THE CHAIRMAN: I am under the impression that a government Bill to amend the Farmers' Creditors Arrangement Act, which does provide for additional Boards of Review, and does define more clearly certain rights and limits of the parties, has passed the House, has it not, and gone to the Senate?

MR. IMRIE: Has it passed the House of Commons?

THE CHAIRMAN: It has passed the House of Commons, it has not passed the Senate. That Bill, I would judge, would meet substantially your recommendation.

MR. IMRIE: It would meet substantially two of those points. Our Brief of course was drawn early in February, before that Bill was brought down.

THE CHAIRMAN: Quite.

MR. IMRIE: It would meet substantillay two recommendatios, and to some extent the third. Yes, it would go a very long way towards meeting all those recommendations.

THE CHAIRMAN: I have not seen the Bill itself but it seems to me from the press reports of the Bill that if it does become law, it would pretty well meet the recommendations you have made here.

MR. IMRIE: Pretty well.

THE CHAIRMAN: May I ask the broader question? You have in fact answered it in your Brief, but it was suggested in

Saskatchewan by the Mayor of Saskatoon that it was not an adequate method of dealing with the situation and that there should be some general reduction in the interest rates, I am not sure that he did not say the principal on farm mortgages. I judge your Board, after careful consideration of that matter, has endorsed the conclusion set out in your Brief?

MR. IMRIE: In one of the recommendations in the closing chapter, which is a summary of them, there is a further reference to that question of private debt: 17.

> " Failing volutary adjustment by negotiation, as in Saskatchewan and Manitoba, necessary steps in the adjustment of private farm debt should be along the general lines of the Farmers' Creditors Arrangement Act."

The Chamber has not considered the suggestion I think you have in mind of setting up a large security holding corporation. Was that the one you had in mind?

THE CHAIRMAN: No. That was suggested in Saskatchewan.

MR. IMRIE: Yes, the Chamber has not considered that.

THE CHAIRMAN: The Chamber has made its conclusions quite clear in the Brief. You think given additional Boards of Review, and a clarifying of the Act, the Farmers' Creditors Arrangement Act could meet the situation by dealing with every individual case on the merits,

MR. IMRIE: Failing settlement by voluntary negotiations, which of course we would like to see, yes, but which has not been accepted in this province.

Now, chapter 16, page 61, summarizes the 19 recommendations that have been referred to more or less directly in one or another of the 15 chapters, and includes 5 others that are submitted originally in this 16th chapter. I do not think I need read those that have been dealt with before.

THE CHAIRMAN: No, deal with the new ones.

MR. IMRIE: There are one or two that go a little further than have been touched upon and, if you will allow me, I will mention those.

THE CHAIRMAN: Certainly.

MR. IMRIE: I will pass one, two, three, four. Five goes a little further:

"5. The establishment in relation to national tariff policy of the principle that those provinces which are engaged chiefly in primary production and which, therefore, cannot benefit to a commensurate extent through tariff protection of secondary industries, should receive compensation for the disabilities sustained as a result of the operation of national tariff policy; and that such compensation should include special consideration in respect of those few of their products, the sale of which might be assisted by tariff protection, such, for example, in the case of Alberta, as coal, oil, meat products, dairy products, and vegetable products; and, where necessary, assistance in the sale of such products in Canada by special subsidies or subventions."

I pass over six. Seven is new:

"7. An investigation on the initiative of the federal parliament as to the progress which has been made in the reduction of unnecessary costs of railway services along the lines recommended by the Royal Commission on Transportation; as to what further economies could be effected similarly; and as to whether such economies are adequate in view of the existing railway situation and, if not, what further steps could and should be taken."

THE CHAIRMAN: Did your Council form any opinion on that

subject itself, Mr. Imrie, that you are in a position to express?

MR. IMRIE: No, they preferred to await a decision on the appointment of that Committee and its recommendations.

THE CHAIRMAN: We had two views expressed to us by Boards of Trade in British Columbia. The Vancouver and Associated Boards of Trade recommended further steps of co-operation for fully carrying out the recommendations of the Duff report. The Eastern Boards of Trade expressed the view that co-operation was inadequate and the only solution was amalgamation or some union of the railways. On that your Board has not formed any opinion?

MR. IMRIE: No, the Board feels that insufficient progress has been made along the general lines recommended by the Duff Commission and that is one reason for urging an inquiry as to the progress that has been made and what further steps along the lines recommended should and could be taken.

THE CHAIRMAN: It is possible that the investigations of the Senate Committee appointed to look into the railway situation may elucidate some of the facts in connection with that phase of the matter.

MR. IMRIE: I pass over eight, nine, ten, eleven, twelve. Thirteen perhaps goes a little further:

> "13. The undertaking by this Commission of a complete and thorough survey of the extent to which there is duplication of services by the federal and provincial governments with a view to the elimination or curtailment of such duplication so as to permit a reduction in the cost of government."

Which recommendation is a bit gratuitous now because obviously the Commission is addressing itself to it.

THE CHAIRMAN: Yes, Mr. Imrie. On that point may I just

indicate a practical difficulty. In the time at the disposal of the Commission about the most we can do is to ask different officers of the provinces and the Dominion concerned in administration to come before us and to outline their work, and question them as to overlapping and duplication of service. We have done that in all the provinces we have visited so far, and we have examined quite a number of the Federal government officials in Ottawa. I must confess I think it came to all of us with a real degree of surprise the unanimity on the part of all these officials that there is substantially no overlapping or duplication of service. Some minor cases have been suggested, but the evidence so far given to us is that there is no substantial overlapping or duplication of service. If your Chamber can suggest where we can get further light on that, it will help us to delve further into the matter. Of course you will realize we cannot, in the time at the disposal of this Commission, analyze all the departments of the different governments and reach an independent conclusion on the matter.

MR. IMRIE: I am afraid the Edmonton Chamber of Commerce could not agree with any view that may have been expressed to this Commission that there is not an opportunity for curtailment of services. We suggested three particular branches in one part of the Brief, simply as illustrative of opportunities for curtailment that appear to us. If you would like our Committee to address itself to the suggestion of further fields --

THE CHAIRMAN: No, if you could give us practical illustrations of those branches, it would be helpful, because in those particular branches we have called the officials, both Dominion and provincial, before us and they have told us, that, with some minor exceptions, there is no overlapping or duplication. That is, broadly, the effect of the evidence.

MR. IMRIE: It was ever thus.

COMMISSIONER MacKAY: If it may supplement what the Chairman has been saying, by way of clarification, I think there is a great deal of confusion in the public mind about this question of overlapping. Many people seem to think because there are nine provincial governments and the Federal government operating in the field of agriculture that there is necessarily overlapping. It may not follow at all. They may be doing entirely different things in that field and that is where, I think, sometimes the confusion arises. The difficulty of this Commission is to get specific examples of that.

MR. IMRIE: I do not think I am betraying any secret when I say that the Canadian Chamber of Commerce is making a special investigation along that line with the co-operation of its member branches throughout Canada. I understand there is to be a specific submission along that line at Ottawa. I would ask the press reporters to kindly overlook that statement so as not to take any thunder from the Canadian Chamber of Commerce.

Fourteen may be passed and fifteen and sixteen, seventeen, eighteen, nineteen and twenty, and from then on are new.

"20. The amendment of the B. N. A. Act to give the federal parliament exclusive authority to legislate concerning the principal amount due under any form of debt."

It already has the authority in relation to interest and the Chamber feels that there is an obvious interlocking of the two. Interest unpaid very often is added to principal and becomes debt, and we think it would be better if the same body had control over both, and that that body should be the Dominion.

"21. Amendment of the B. N. A. Act, subject to necessary

"limitations, so as to permit action to be brought aginst the Crown as represented by either the Dominion government or a provincial government without the necessity of securing approval of a Petition of Right."

THE CHAIRMAN: Do you draw any distinction there between the government acting in a business capacity and the government acting in its general administration functions?

MR. IMRIE: I am afraid not.

THE CHAIRMAN; You cover the whole ground?

MR. IMRIE: As it stands now we do. There is quite a bit of debate as to whether those distinctions should be made.

THE CHAIRMAN: I did not know whether you had given it any consideration. It is possible that there may be a real ground for distinction between the right to sue the government when the government is engaged in business, such as you would sue any corporation or person in business, and the right to sue the government or the Crown when it is carrying on purely administrative governmental functions. Some people, I think, would support your contention as to the first, but might not be prepared to support it as to the second.

MR. IMRIE: On that point also there were two schools of thought in our Committee and in the general Council the majority favoured the text of twenty-one.

THE CHAIRMAN: Thank you.

MR. IMRIE: "22. The compilation by the federal parliament and the prompt publication on monthly and annual bases, respectively, of full statistical information regarding inter-provincial trade throughout Canada, as previously recommended by the Duncan Commission."

That may seem like going counter to an earlier recommendation about the cost of government but our information is that the cost involved would be relatively small and that it would greatly facilitate such inquiries as this Commission is conducting.

THE CHAIRMAN: In view of the motor traffic and motor lorries and so on, would not it involve a great deal of statistical data from different people in order to get that?

MR. IMRIE: The Chamber has recommended elsewhere that motor traffic be a Dominion responsibility and if that recommendation were adopted it would be much easier of course to require returns on inter-provincial movement of goods by motor truck. That is our recommendation, in any case.

"23. The encouragement by the federal parliament of mineral development in the North West Territories as a means to a more balanced development throughout Canada and in particular in the contiguous prairie provinces."

THE CHAIRMAN: That gets somewhat beyond our jurisdiction, do you not think, Mr. Imrie? Is not that a question of federal government policy?

MR. IMRIE: It is a question of federal government policy very largely.

THE CHAIRMAN: And we are not constituted to advise the federal government on matters of policy. We are constituted to advise them in respect of the matters submitted to us.

MR. IMRIE: If you will pardon me, I think it has an indirect relation to the taxation base of the three prairie provinces in particular from the benefits that would accrue from that form of development. And it is from that standpoint that we thought it might have a place.

"24. The encouragement by the federal parliament of

"tourist traffic from the U. S. A. particularly in the prairie provinces which at present are getting a comparatively small share of such traffic and to which an enlargement of such share would prove a further aid to a more balanced provincial economy."

THE CHAIRMAN: In British Columbia it was very strongly expressed that that could be done much better by the province. Each province has its own special attractions, it could advertise its own features and its attractions better than the Dominion could. British Columbia was very strong on provincial control in respect of that. What do you say about that?

MR. IMRIE: The federal government has established already the principle of a public interest, indeed has established a federal sub-department, and having in mind the effect increased tourist traffic has on the hidden payments, is that the way to express it, the hidden balance?

COMMISSIONER DAFOE: The balance of payments.

MR. IMRIE: Yes, the hidden payments, isn't it called something like that, it does seem to the Chamber that it is a matter of federal responsibility from the standpoint of efficiency and economy. I think the necessary publicity could be handled at much less expense and with greater efficiency by one body for Canada.

THE CHAIRMAN: Your opinion on that should be very valuable, Mr. Imrie, because you know the advertising business and how it is done. I ventured to suggest a somewhat similar opinion in the discussion in Victoria but the provincial officials and the government took a very strong view the other way.

MR. IMRIE: You make me much more confirmed in my opinion by that statement.

Now, Mr. Chairman and Commissioners, that concludes the

submission of the Edmonton Chamber of Commerce. Once again I apologize as was done in the opening chapter, if any apology is necessary, for going beyond the field that was covered in similar submissions in other provinces. You appreciate, however, the circumstances that lead the Chamber to do that. If we have erred in extent in doing so or have taken up more of your time than you had hoped to give, at least you will give us credit for good intentions and the desire to render every possible assistance.

I thank you warmly for the very great patience and courtesy with which you have listened to these representations.

THE CHAIRMAN: Mr. Imrie, I am sure all the members of the Commission feel indebted to you and to the Edmonton Chamber of Commerce for the Brief you have presented. Without expressing any opinion on the recommendations, which it would not be right for me to do, I must say that it is one of the clearest, most comprehensive and orderly statements of the case that has been submitted to us since we commenced our investigations, and we thank you for that. Its clarity and logical order enables one to grasp its meaning and the effect of its submissions very easily.

Then I want to express a personal appreciation of the tone and spirit expressed in your opening sentence, about the necessity of a vision, a spirit and a purpose, with which I find myself, and I am sure my colleagues do, in entire agreement. Unless the people of Canada have that vision, that spirt and that purpose, the real unity of Canada cannot possibly be maintained. One of our hopes is that the work of this Commission may contribute in some measure to revive, if it needs revival, and many people think it does, that vision, that spirit and that purpose.

Mr. Stewart, have you some questions you would like to ask?

MR. STEWART: There was one in particular, my Lord, at page 52, I think it should only take Mr. Imrie a minute to answer it. On page 52, at the top of the page, you suggest that legislative jurisdiction should be transferred to the Dominion government in respect of the following social services, and social legislation, and your enumeration ends up with life, fire and other forms of insurance. Is it your suggestion that these should be administered by the Dominion as social services?

MR. IMRIE: Social legislation, not social services. Very definitely not.

MR. STEWART: Merely legislative jurisdiction?

MR. IMRIE: Yes, that is what we say up here: "Legislative jurisdiction." It says, "the adjustment which must be made in this field as between the Dominion and the provinces should be by way of increasing the legislative jurisdiction of the federal parliament so as to give it specific authority in respect of the following social services and social legislation, namely -" but not in any sense to consider life, fire and other forms of insurance as social services to be given without charge.

MR. STEWART: Just one question in that regard. It has been suggested by others to the Commission that jurisdiction in respect of insurance should be transferred to the Dominion except jurisdiction as to the form of the contract of insurance and the licensing of insurance agents. Your view, however, is that the whole subject should go to the Dominion?

MR. IMRIE: That is the submission of the Chamber on a majority vote of the Council.

MR. STEWART: Just one more point --

MR. IMRIE: To be quite clear on that point, there is a little difference of opinion in our Council on the very point that has just been raised but a substantial majority

voted in favour of the recommendation as it stands.

MR. STEWART: Now, when you were dealing with the disabilities of Alberta due to a combination of national monetary policy and national "Special" tariff policy during the depression in part 11 of the Brief, is it not the fact that a special bonus was allowed, or a bonus was allowed on wheat?

MR. IMRIE: A bonus of five cents.

MR. STEWART: A bushel?

MR. IMRIE: Was allowed in one year.

MR. STEWART: As part compensation for the effect of those particular policies?

MR. IMRIE: My recollection is that it was in part compensation of the very low prices of wheat prevailing and that it had the effect of increasing production, stimulating production, and therefore of aggravating the difficulty complained of and it was dropped at the end of one year.

MR. SETWART: I am not suggesting this, Mr. Imrie, as arguments against your argument, but simply completing the picutre, that is all.

MR. IMRIE: Yes.

MR. STEWART: Then in respect of subventions, there is also a subvention order in respect of the movement of coal from Alberta eastward?

MR. IMRIE: Yes.

MR. STEWART: Do you know what the situation is in respect of those subventions?

MR. IMRIE: What page is that?

MR. STEWART: Well, I have not the page number.

MR. IMRIE: I am sorry, I thought I had that here, but I have not. I will be glad to get that for the Commission.

MR. STEWART: Yes, if you would let us have a memo covering the rates.

MR. IMRIE: Yes.

MR. STEWART: At the middle of page 25 you make the statement: "For the fiscal year ending March 31, 1937, the average ad valorem duties imposed under national tariff policy on dutiable goods imported was 26.7%."

MR. IMRIE: Yes.

MR. STEWART: Is that a weighted average?

MR. IMRIE: I believe it is. I did not make the computation. Mr. Winspear who did, thinks it is a weighted average.

MR. STEWART: And lastly on page 23, your second last paragraph: "Therefore the result on balance is that Alberta must sell the great bulk of its products without any assistance from federal tariff policy and at the same time is required by that policy to pay an excess cost on the great bulk of what its people buy." I am suggesting that the Imperial trade agreements and the various trade agreements under which Canadian goods enjoy special advantages in other countries constitute as much a part of Canada's tariff fiscal policy as the actual tariffs themselves and that under such agreements Alberta does derive some benefits. I am just making that suggestion and I would like to get your comment.

MR. IMRIE: If that paragraph could be interpreted, and I see a possibility that it could, as suggesting that we were failing to recognize the benefits this province has received from the actual trade agreements, then I most deeply regret the phraseology in which it is put, because this province does recognize most definitely the benefits accruing to it in hogs in particular and in bacon and in certain other products under those agreements. They were of great help during the depression. I had thought of that agreement more as a trade policy than as a tariff

policy but I can see that the question of tariff, because of its reciprocal application, does enter into it and I regret that it was not qualified a little more than it is in the Brief.

MR. STEWART: Those are all the points I have in mind.

THE CHAIRMAN: Thank you, Mr. Stewart.

MR. STEWART: By the way, the resolution that was referred to by Mr. Imrie earlier in the day is now ready to be put in as an Exhibit.

EXHIBIT NO. 237: Resolution of the Alberta Legislative Assembly, February 25th, 1935.

THE CHAIRMAN: We will start to-morrow with the Municipal Briefs. The Commission stands ajourned until 10.30 to-morrow morning.

(The Commission adjourned at 4.30 p.m. to meet at 10.30 a.m. Wednesday, March 30th, 1938)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

REPORTERS:

George Thompson
John Robertson
David Torry

EDMONTON, ALBERTA, MARCH 30, 1938

REPRESENTATIONS BY THE CITIES OF ALBERTA

REPRESENTATIONS BY THE UNION OF ALBERTA MUNICIPALITIES

REPRESENTATIONS BY ALBERTA ASSOCIATION OF MUNICIPAL DISTRICTS

REPRESENTATIONS BY THE ALBERTA YOUTH CONGRESS

REPRESENTATIONS BY THE ALBERTA SCHOOL TRUSTEES' ASSOCIATION

REPRESENTATIONS BY THE ASSOCIATED TEACHERS ASSOCIATION

EDMONTON, ALBERTA, MARCH 30, 1938

LIST OF EXHIBITS

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EDMONTON, ALBERTA, MARCH 30, 1938.

TOPICAL INDEX

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

EDMONTON, ALBERTA, MARCH 30, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Court House, Edmonton, Alberta, on Wednesday, March 30, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS	Commissioners
JOHN W. DAFOE, Esq.	
DR. ROBERT ALEXANDER MacKAY	
PROFESSOR HENRY FORBES ANGUS	

Commission Counsel:

James McGregor Stewart, Esq., K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R.M. Fowler, Esq.	Legal Secretary to the Chairman of the Commission
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE CITIES OF ALBERTA:

Mayor J. W. Fry	Edmonton
Mayor A. Davidson	Calgary

FOR THE UNION OF ALBERTA MUNICIPALITIES:

Mr. J. Fitzallen	President

FOR THE ALBERTA ASSOCIATIONS OF MUNICIPAL DISTRICTS:

Mr. Paul L. Farnalls	President

FOR THE ALBERTA YOUTH CONGRESS:

Miss Margaret Archibald	Representative
Mr. Bill Thornton	Representative

FOR THE ALBERTA SCHOOL TRUSTEES' ASSOCIATION:

Mr. A. E. Ottewell	Representative

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

FOR THE ASSOCIATED TEACHERS' ASSOCIATION:

Dr. C. Sansom	Representative
Dr. M. E. Lazerte	Representative

Court House,
Edmonton, Alberta,
March 30, 1938.

MORNING SESSION

The Commission met at 10.30 A.M.

THE CHAIRMAN: This morning we take up the municipal briefs. The first will be the Cities of Alberta, submitted by Mayor Fry of Edmonton, and Mayor Davison of Calgary.

May I say before we commence the hearing of these municipal briefs that we have had the opportunity of looking them over, and in their main submissions they are substantially similar to the briefs we have received from the other cities and municipalities throughout Canada. Therefore, I think it will not be necessary for you to go into such detail as if it were the first submission. We have already heard five times the main lines, and we are well seized of the chief points of the argument. If you would point out the matters which are peculiar to your own cities and municipalities, and any new approach, if there be a new approach to the subject, we would be glad to have it.

MR. J.W. FRY, Mayor of Edmonton, was called.

MR. FRY: Mr. Chairman, and members of the Commission, the Cities of Alberta welcome the opportunity of presenting a brief to your Commission, especially the City of Edmonton, of which I have the honour to be Mayor, and extend to you a hearty welcome to our midst. We hope, sir, that the inclement weather which we have presented to you since you have come here has not chilled your spirits towards us.

Looking over our submission, we realize that possibly it is a repetition of what you have heard before, because the problems of the municipalities and the cities, I presume, are pretty much the same all over Canada. I have just had the opportunity of attending a Mayors' Conference at Ottawa, and listening to the various Mayors from Vancouver to Charlottetown. I think that our problems are

pretty much the same, and I am afraid we will probably weary you because, as you said, this is not new to you. However, we cannot submit anything else because our problems, as I say, are much the samd.

I think that it would be well for us to consider the chief matters which are of concern to the cities of Alberta. The first is the increasing cost of the part of social service now borne by the cities, particularly in respect to unemployment relief and education, and the unequal division of the cost between the Dominion, provincial, and municipal governments. Again, this is nothing new to you, but this is possibly one of the chief concerns of the cities of Alberta.

THE CHAIRMAN: What is the present division, Mayor Fry, in this province?

MR. FRY: The present division in this province, as regards the city of Edmonton, in 1936 when this was prepared, the city of Edmonton was contributing about 44 per cent, and the city of Calgary was contributing 42 per cent of the total cost of unemployment relief.

THE CHAIRMAN: You said that was in 1936?

MR. FRY: In 1937 the picture as far as the city of Edmonton is concerned is that we have been paying about 37 per cent.

MR. A. DAVISON, Mayor of Calgary: 37.58 per cent in Calgary on unemployment relief only.

THE CHAIRMAN: Is there any change in 1938?

MR. FRY: The change as far as we are concerned is that during the latter part of 1937 the contributions of the senior governments were still further reduced, in the case of Edmonton from $55,000 a month to $52,500; and in the case of Calgary, from $66,000 to $63,[illegible].

THE CHAIRMAN: Was that because of a change in the [illegible]

percentage or was that due to a reduction in actual relief distributed?

MR. FRY: Mayor Davison will answer that.

MR. A. DAVISON, Mayor of Calgary, was called.

MR. DAVISON: Mr. Chairman, the cities of Alberta are the only cities in the Dominion, so far as I know, that are placed on a lump sum basis, so far as assistance for unemployment relief is concerned, and that is one of our chief complaints. The cities of Saskatchewan and British Columbia, as you have no doubt been informed, receive 80 per cent of the total cost of unemployment relief from the senior governments. On the other hand, in Alberta, when the lump sum idea was put into effect back in 1934, so far as the provinces were concerned, the government of the day in Alberta also placed the cities on a lump sum basis which was something we objected to. It meant a material reduction at that time in the grants we received from the senior governments. Well, in December 1936, shortly after the present Dominion Government came into power there was an increase, as you know, of 75 per cent. Might I say, Alberta was granted in 1934 from the late federal government, $100,000 a month as its share of the grants-in-aid. Then in December, 1936, it was increased to $175,000 per month, and the grants to the cities of Alberta, through negotiations which we held with the provincial government, were also increased, and the city of Calgary was given $80,000 a month. That carried on from the 1st of December, 1935, to the end of March, 1936. Then there was a reduction by the federal government to the province, and our grant was cut to $70,000 and a proportionate grant to the city of Edmonton. That carried on until the 1st of July, 1936, when there was a further cut down to $66,000, and we received that grant monthly until the 1st of October last,

when another slash took place and our grant was cut to $63,075, a month, or a total cut from the 1st of December, 1935, until the 1st of October, 1937, of $16,785. a month,m-- something over $16,000.

Now, we have been complaining of the discrimination which is being shown to the cities of Alberta in comparison with Saskatchewan and British Columbia in that we have been bearing in the neighborhood of 40 per cent of the cost of unemployment relief. When you add to that our indigent costs, our hospitalization, medical care, and so on, during all this depression, -- and I have had the honour of being the Mayor of Calgary since 1930, and have taken part in practically every conference that has been held between the governments and the cities, with the exception of the last one in Ottawa, -- our average cost for that period for all forms of relief has been almost 45 per cent. To show you what it really means, up to the end of February of this year, from the 1st of January, 1930, all forms of relief in the city of Calgary has entailed an expenditure of $9,913,000, of which $9,113,000 was actual unemployment relief. We received from the senior governments for unemployment relief donations of $5,498,000, -- almost $5,500,000, and we supplidd 3,600,000 odd dollars, or practically 40 per cent of the total cost.

Now, I say that since the beginning of 1936 the Saskatchewan and British Columbia cities have been required to carry only 20 per cent of the cost.

THE CHAIRMAN: We were informed that is due to the action of the provincial government.

MR. DAVISON: Yes. We go to the provincial government and we point out that particular fact to their officials, -- to the cabinet, and we are told that the reason Alberta cannot be as generous to its cities as Saskatchewan and

British Columbia is simply because they are not getting as generous treatment from the Federal Government. The charge is made that in so far as the expenditures for drought relief in Saskatchewan are concerned that that province is being treated much more generously than our province, and that is the reason or excuse, or whatever you wish to call it that is advanced to us for not receiving the 80 per cent from the senior governments.

THE CHAIRMAN: Unfortunately the provincial government is not before us, and has not made any submission to us. It is rather difficult for the Commission to enquire into matters between the municipalities and the province.

MR. DAVISON: Well, I appreciate that fact, sir. On the other hand, we took these matters up with the Honourable Mr. Rogers in Ottawa, and he said those charges are not correct, all of which is quite interesting, as I remarked to the Agricultural Committee of our Legislature last Tuesday. But, in the meantime the cities are holding the bag, -- that is what it amounts to, and we are being called upon to pay a great deal more than the citiesof Saskatchewan and British Columbia, and we are proud enough in the province of Alberta to think that this province should be in a position to treat its cities just as generously as the other two provinces.

COMMISSIONER DAFOE: Did you meet those costs out of taxation?

MR. DAVISON: Yes. In the city of Calgary, our share for all forms of relief, $4,413,000, was met largely through increasing our tax rate. We capitalized $500,000 only, but we also borrowed from the Dominion Government $1,360,000, which we still owe and on which we are presently paying 3 per cent interest. The city of Edmonton capitalized somewhere around $1,200,000, and they borrowed $1,250,000

from the federal authorities.

COMMISSIONER DAFOE: Through the province?

MR. DAVISON: Through the province. We gave the province one year treasury bills and the province gave the Dominion one year treasury bills, and if it had not been for that assistance I do not know where we would have been. In that regard Calgary is probably better off than a lot of cities.

THE CHAIRMAN: You have done better in that respect than some of the cities in the east.

MR. DAVISON: Well, we did that by soaking our taxpayers; that is what it amounts to. We put it in our current budget and made our taxpayers pay just whatever they were able to pay.

But, that is one of our chief complaints, and I know Mayor Fry will agree with me that we think we are being discriminated against, and I want to drive that point home. We feel that we should be on the same basis as the other western provinces, Saskatchewan and British Columbia, and we should not be required to pay more than 20 per cent. We think we should not be required to pay that much.

THE CHAIRMAN: The premier of British Columbia told us last week that the province paid 80 per cent of the total unemployment relief in the cities of British Columbia, but that was a matter between the province and the cities. The province received a certain lump sum from Ottawa, and they determined how much should be given to the cities; they determined that it should be 80 per cent. They thought that was a considerable relief to the cities.

MR. DAVISON: That is quite true, sir, but just to repeat, when we go to our provincial officials and ask for the same treatment we are told that they cannot give it to us because they are not being treated as generously by

Ottawa, and we do not know what is correct. In the meantime, we are carrying this heavy load.

THE CHAIRMAN: You say Ottawa tells you that the province is being treated generously?

MR. DAVISON: Yes, in so far as the grants-in-aid are concerned, but there is a difference of opinion in connection with the drought relief; for instance, the provincial officials here state that Saskatchewan got $700,000 for drought relief last year in that portion of the province, which has a population of 35,000 persons. That works out at $20.00 per head. In Alberta the area zoned takes in 80,000 people, and they got $670,000 for the same purpose, at a little better than $8.00 per capita in that particular zone.

THE CHAIRMAN: Of course, the drought relief is a special matter which the Dominion has assumed as a special responsibility, and we have no power to inquire into it. We hope it is a temporary condition, -- at least we hope it will not last much longer; that is, as far as direct relief is concerned.

MR. DAVISON: Then, to go on, we claim that in monthly grants-in-aid Alberta got $125,000. I cannot from memory give you the exact figure for Saskatchewan, but I think it is $265,000. But, I say that with some reservation. It is at least double. Their contention is that on the basis of the number of people in each province that Alberta is entitled to more than $125,000, based on the needs of Saskatchewan. Here again, Mr. Rogers wrote me and stated definitely that -- I think there was one per cent difference in the percentage that was being borne by different governments in the province. But you can see the situation we are in. We go down and make our representations to our provincial authorities and the only answer we can get is, "Well, we

cannot give you any more because Ottawa will not give it to us."

THE CHAIRMAN: Of course, the responsibility as far as the municipality is concerned must necessarily rest upon the province, because you are part of the municipal organization. The province created municipalities and gave them their powers, and placed upon them their responsibilities. The extent of the Dominion aid is a question between the Dominion and the province. It is a matter of great regret to us that the province is not here so that we could have a discussion of this whole matter, but we have to do the best we can in the absence of the province.

MR. DAVISON: Well, of course, we have always been told by the present federal government and by its predecessor, and the province has followed suit, that unemployment is primarily a municipal responsibility. We have been told that, and while we have argued about it we have not been able to convince the senior governments they are wrong. Now, I would submit to you, after some nine years experience in this matter, ordinarily that is a statement which is correct. The very fact our municipalities in good times have been able to take care of the poor and the unemployed is the best evidence I can submit that they were willing to do it. But, we have claimed that today unemployment is a national emergency, and that as such it should be handled on a national basis; that it is no longer possible for the average city in Canada to continue to carry this load. The very fact that many of our cities are next door to insolvency today is ample proof of the correctness of that statement, and I do not think it is necessary for me to amplify in that particular regard. We have been told by the late government at Ottawa and the present government, that this is not possible, that it would not be advisable for the federal

government to assume the entire responsibility for the administration of unemployment relief on a national basis; that they have not the authority under the "British North America Act to do it, and that in any event if they had that authority it would not be good business.

I would submit to this Commission that already the federal government, in conjunction with the provincial governments, have assumed some responsibility. I do not know what the conditions are in Eastern Canada, but take for example the question of transient,homeless, single men, that particular problem is being handled by Ottawa and, in Alberta, by our provincial government, at no cost to the cities.

THE CHAIRMAN: What provision is being made for the transient,single, men in this province, Mr. Davison?

MR. DAVISON: Of course, we have had for some time camps, which were abolished. The situation today in Calgary is that if transient, single men arrive in our city they are taken care of by the province. They have a kitchen there, and they give them bed tickets. We do not, of course, get as many at this time of the year, as in the summer-time. In the summer-time the idea is to get them away, give them a meal and a bed and get them away. But, the cost of caring for single men has been assumed as the joint responsibility of the Dominion and the province. And the same thing in the Farm Settlement Scheme, which is for the purpose of putting a lot of these people back on the land; that is assumed by the federal authorities, and the cities have to pay a portion of the cost but have nothing to do with the administration of it.

The statement I am making to you, and I know that Mayor Fry will agree with me, is that if those things are possible in so far as those two particular angles of the

unemployment situation are concerned, it is equally possible to administer the "married" relief on the same basis.

THE CHAIRMAN: Your submission is that the Dominion should assume full responsibility for unemployment relief?

MR. DAVISON: Yes.

THE CHAIRMAN: Do you think, Mr. Davison, that unemployment relief could be administered as efficiently and as economically by the Dominion authorities as it could be by the local municipalities?

MR. DAVISON: I would be inclined to think more so. Might I put it this way: I feel the way this question should be handled is by a provincial commission in each province, with full authority, and if necessary, using the machinery of the local authorities to assist in the administration. I have heard arguments advanced, one argument particularly, that if the municipalities were going to be relieved of the entire cost of this relief, but were at the same time going to be called upon to administer it, that they would be extravagant because they would not be footing the bill. That, sir, is not my idea on the matter. I believe there should be supervision through a provincial commission. We have had a provincial commission in Alberta for single men. It has worked out very well, and I cannot see why it cannot work just as well in this case.

COMMISSIONER DAFOE: You mean a commission appointed by the Dominion, or the province?

MR. DAVISON: A commission appointed for the province; appointed, naturally, by Ottawa, if Ottawa is going to pay the shot.

THE CHAIRMAN: You said you thought it could be more economically administered, and more efficiently administered, by the Dominion. Why do you say that, Mr. Davison?

MR. DAVISON: Well, here is the situation. Where the

government is close to the people -- I sometimes think we are the forgotten government -- where the government is close to the people we have those unemployed on our doorsteps. They say they want certain things, they go to our city council and exert pressure there, and there may be an inclination at times to accede to their demands. If there was an independent commission, not subject to election, but named because the federal government at Ottawa, for instance, thinks the particular gentlemen who have been selected are capable of handling this situation without fear or favour, those men are not subject to that pressure. You will find that from coast to coast in Canada, I think, that this relief situation is involved in municipal politics,, and it is not going to be handled as well as if it were administered by and independent board. That is my reaction after nine years experience.

THE CHAIRMAN: We are very glad indeed to have your opinion, because you have had much experience, Mayor Davison. We have had conflicting opinions on the question; some have thought it could be more efficiently administered and others have thought it could be less efficiently administered by the Dominion.

MR. DAVISON: Well, originally, when the agreements were first made with Ottawa back in 1930, former Mayor Douglas of Edmonton and myself went to Ottawa, along with the Honourable Mr. MacPherson and the Honourable Mr. Holtby, and we negotiated with the Minister of Labour in the Bennett Cabinet the first agreement, and that was the only time that the municipalities were called in. As you know, it was on a three-way split, as far as unemployment relief was concerned, the cities being required to pay all administration costs, which is another sore point with us. We then arranged with the province to have in our relief department in Calgary

and the same condition obtained in Edmonton, certain officials who passed on all these applications for relief, and they said whether they should be placed in the category of employable men who were unemployed, or unemployables, or indigents. We found that that worked out very well. We had representatives of the province there who took a part of the responsibility. But, when the lump sum idea came in and we were simply told "Calgary is going to get $61,500 a month," and we protested, they said, "Take it or leave it." and we had to take it. Those men were withdrawn, and the entire responsibility was placed on our shoulders, and only now and then auditors come and criticize the cities for the way in which relief is being administered. My reply has always been, "Well, if you do not like the way we are running it come in and do it yourself." We have a wildcat by the tail and we cannot let go, and nobody else wants to take it. That is the whole situation.

MR. FRY: There is one point I would like to stress, Mr. Chairman, and that is the contention of the municipalities that unemployment is a federal matter. Now, we know that we, as cities, have had nothing to do with this depression; that is, we have not any control over immigration. In the City of Edmonton we have a number of people who are now on relief and who have been brought out under the immigration policies of the Dominion Government. We now find that we have to take care of them, although we had nothing to do with bringing them here, nor have we any control over labour problems and that sort of thing. We believe that that has thrown a responsibility on the municipalities which we had no share in creating, and in which we should not be called upon to bear a portion of the costs. Is there anything further you would like to ask on that point, sir?

THE CHAIRMAN: Not on that point, Mr. Fry.

MR.FRY: No. 2 is the question of the restrictive character of the taxation base now available to cities. This also is a point that you have no doubt heard before, but the situation is such that while responsibilities have been thrust upon us without us choosing in any way to accept those responsibilities, we had to take them because they were put upon us by the senior governments, which had the power to do so. While they have done that they have not provided in any way for taxation or revenue to meet this added cost.

THE CHAIRMAN: Mayor Fry, what taxation have you in Edmonton beyond real estate? Is there any other system? Have you any other method of raising municipal funds?

MR.FRY: Yes, we have some other revenues; about 80% of our revenue is derived from taxation on real estate, We charge the full amount on the land, sixty per cent on business premises, and 50% of the assessed value of homes. We also have a business tax, which is on the rental value of the business concerned. The city of Edmonton also derives a certain revenue from our utilities. In the past, unfortunately, we made a lot of mistakes. The cities in this province were in the throes of a real estate boom during the period from 1911 to 1914, and we are still suffering from that condition. The city of Edmonton is spread all over the map, as you can see, and it makes the administration very difficult for us. While we have made mistakes in the past, we have also done some things which were wise, and one of the wise things the city of Edmonton has done is to have the control of its own public utilities. Now, the public utilities bring in a very nice revenue at the present time; it runs close to a million dollars, for the relief of taxation.

THE CHAIRMAN: What are the utilities you refer to?

MR.FRY: We manufacture our own power, and we distribute it. We also have our own telephones; we have our water; we have an airport, and street railways. The street railways are not paying very well, but the others pay us very well. Those utilities bring in very good revenue.

THE CHAIRMAN: You have a net return from those utilities of a million dollars?

MR.FRY: Yes, roughly a million dollars. We also have a small amount from the Provincial Government in lieu of the Service tax. The service tax was a tax imposed here, a sort of an income tax, you might call it, and when the province decided to go into the income tax field it required us to abandon that field, and in lieu of that it gave us $60,000 per annum, which has been greatly reduced. Now it stands at about $30,000. We also have some small revenue by way of licences, and so on.

THE CHAIRMAN: You are not asking for increased taxing powers?

MR.FRY: We are rather asking to be relieved of policies which we say are not rightly enforced, than increased taxing powers.

No. 3, is the burden of taxation real properties are compelled to bear.

THE CHAIRMAN: What is your tax rate in the municipality?

MR.FRY: Our tax rate for 1937 was 54 mills, we have not struck the tax rate for 1938 yet.

THE CHAIRMAN: I wonder how much that would be if you assessed the buildings at their value the same as you do the land?

MR.FRY: I could not tell you offhand. Around forty mills, our comptroller says.

THE CHAIRMAN: In the East in certain of the provinces they assess land and buildings without any distinction.

MR.FRY: Mr.Chairman, when Edmonton was young and enthusiastic it assessed only land. During the boom it could get away with that, and the assessment then was around 190 some million dollars of assessment. With that assessment and with that condition we soon found that people who held these lands, especially vacant lands, simply said "Well, here is your property, we are not continuing to pay taxes because we cannot afford to do it". And the city found that it could not raise enough revenue to get by, and they had to begin taxing buildings. The result has been that we have had to reduce our assessment over the period of years until now it is around $53,000,000.

THE CHAIRMAN: As compared with what?

MR.FRY: One hundred and ninety some million dollars in 1914, - the peak.

THE CHAIRMAN: Does much real estate come back on your hands?

MR.FRY: Yes, we have 110,000 lots, I believe, in the City of Edmonton, out of which some 50,000 have come back. But of course, that is to quite an extent in the outside areas of the city, although we have a good deal coming back even from the inner areas, but not to such a great extent as the others. the city have caveated, I believe, some 1900 homes which are now in danger of being forfeited, although the council has passed resolutions from time to time that nobody who had a reasonable excuse should be deprived of their home.

The result is that this inflatory character of our real property and the heavy mill rate reacts on the building of homes and necessary buildings in the city. People will not build here because of the high tax rate

that they have to pay, and that has retarded the progress of our city.

THE CHAIRMAN: Has there been much building here in the last two or three years?

MR.FRY: Well, there has not been much although this year it does appear brighter as far as Edmonton is concerned. We are getting quite a few new buildings, - at least, some prospects, who have told us that they are going to build as soon as the weather breaks.

The city of Edmonton is probably a little more fortunate than some of the other cities in Alberta, in that we are in the northern portion of it where drought conditions are not so severe. In fact, we generally get some kind of crop around here, often a very good crop. We are in the midst of a very good agricultural area; we have been much more fortunate, we will admit, in that respect. There is a certain development going on in Northern mineral areas; in fact, a very heavy development in the Northwest Territory, and Edmonton is the gateway, and for that reason in spite of our difficulties the future does look a little brighter to us than it has.

THE CHAIRMAN: You speak of the Northwest territory helping the city of Edmonton. Are you referring to the Consolidated Mining Company?

MR.FRY: I am referring to the group of mines which is now being developed in the Northwest Territory.

THE CHAIRMAN: How many are there in the actual process of development, could you tell us?

MR.FRY: I presume there are half a dozen, at least. I know the Consolidated Mining is building a smelter up there, - a mill. There is quite a development up there which we are very glad to see as far as the city of Edmonton is concerned.

THE CHAIRMAN: Of course, that will help Edmonton, just as the mining in north Manitoba helped Winnipeg.

MR.FRY: Yes. We are doing our best, as far as Edmonton is concerned, to cooperate in every way, shape, and form. We have just extended our air field to bring about first class conditions, and we are also building at present one hangar, and we just agreed a day or so ago to build another, which the Dominion Government has asked us to build. However, Edmonton is probably in this respecta little more fortunate than some of the other cities of Alberta, and that is a local condition.

Mayor Davison has expressed the desire to say a few words on this matter, if you will hear him.

MR.DAVISON: Mr.Chairman, and members of the Commission, I personally feel that this question of taxation, in so far as it affects the municipalities, is a very important one and one that should be given some consideration, if I may say so, by this Commission.

THE CHAIRMAN: It is our duty to give it consideration, Mr.Davison, so that what you have to say is right in line. We have been directed to investigate the whole system of taxation as at present applied.

MR.DAVISON: Well, we feel that we can give abundant proof that taxation today insofar as the municipalities are concerned is unequitable and is unevenly distributed. We have practically only one main source of revenue from which to secure the moneys necessary to carry on the multifarious activities of our cities, and that is, tax on real property. Last year in Calgary over 83% of our total yield of some $4,000,000 for municipal purposes was required to be collected on real estate, improved and unimproved. Like the city of Edmonton, we get some revenue from our utilities, - not quite as great, not nearly as great as Edmonton does, - somewhere in the neighborhood

last year of a quarter of a million dollars was paid to us by our electric light and waterworks. Our street railway ran at a loss. We have a telephone utility also, like they have in Edmonton. The balance came from business tax. We assessed 8% of the rental value, and in some respects it is an unfair tax. The business men on 8th Avenue and 7th Avenue, our main commercial streets, naturally, owing to the higher rate, pay a greater tax. It was found years ago during the War to be necessary to impose this particular tax. Our collections in that regard are very good, - better than the property end of it. Over and above that we have certain other sources of revenue, on licences and so on.

I personally believe that there has got to be a new set up. It is most unfair that property should be required to pay 83% of the cost of what I would be pleased to term, and which I believe is designated in this brief as an "onerous" tax; a tax which by no stretch of the imagination can be argued to be beneficial to property. For instance, the cost of unemployment relief, educational costs, and all these social services, the levies necessary for carrying on those activities, 83% of it comes from property. Our case has been this, that more and more are we faced with the situation where our taxpayers are unable to pay. We have in Calgary today a matter of something over 1300 pieces of property, 80% of which are improved that we can take title to if we feel so disposed. Many of those parcels are the homes of some of our people, their life savings. We are not taking title to them, we are giving them an opportunity from time to time to pay something on the arrears of taxes in the hope that one of these days business conditions will improve and they will be able to finally redeem them. We had at the

end of 1937 $1,294,000 of uncollected taxes; that have accumulated. Probably $ 900,000 of that represented the current taxes for 1937. Something over $5,000,000 of land has reverted to the city by reason of tax sales.

THE CHAIRMAN: Were your tax collections better last year than they were the year before?

MR.DAVISON: Slightly, sir. We collected something around 77% of our current levies, — 76.43%, and with our arrears which we collected, in comparison to the budget last year, we collected almost $100,000. But unfortunately, the arrears were all owed, we owed them to the school board and the bank, and insofar as our current purposes of the city were concerned, the result was that it did not materially help our current cash position. The situation is simply this: We budget to collect one hundred cents on the dollar, and we are compelled to spend that much; we spend the dollar,but we are only collecting seventy-seven cents to pay for it. After a while you are going to get hard up.

THE CHAIRMAN: That is not very good business. What is your tax rate in Calgary?

MR.DAVISON: Our tax rate is 52 mills. We assess one hundred per cent of the value of land and fifty per cent of the value of buildings.

THE CHAIRMAN: How do you say your assessment on land compares with its actual value?

MR.DAVISON: If you listen to some of the representatives of the Alberta Assessment Commission , why, they are away out of line. That is taking into consideration present day conditions.

THE CHAIRMAN: Of course, under present-day conditions you cannot sell real estate.

MR.DAVISON: Yes, they are unusual and extraordinary, that is true, but it is a fact that both in

Calgary and Edmonton examples can be produced to show that the revenue coming from these particular buildings does not any more than pay the tax and some of the carrying charges, not all of them, and it is a very serious situation.

Our tax rate in 1929 was 44.5 mills, at a time when our taxpayers were much better able to pay than they are today. As I say, we had a fifty-two mill rate in 1937; we had a 56 mill rate in 1936. But both Calgary and Edmonton succeeded in making arrangements with our bondholders whereby we got some relief from the carrying charges, and that enabled us in Calgary to make a reduction of some four mills on our tax rate. I would point out this fact; we are certainly not budgeting on a systematic and business-like basis. If both of these cities were to levy against property to make the money required to properly administer our cities we would have a mill rate up in the sixties. For the last nine years in both cities - I suppose it applies to most Canadian cities, - we have subordinated all our other activities to the finding of money to pay the cost of unemployment relief, and we have built up and are still building up huge debts that will some day have to be met. Probably that point has been stressed to you, sir, in the submissions of other cities throughout Canada.

THE CHAIRMAN: Yes, it has.

MR.DAVISON: Our cities here in Alberta could spend another $200,000 or $250,000 without being charged with extravagance, on very necessary works which we cannot do. We are also in this position, that we are debarred, even if our ratepayers had the inclination to do so, from carrying on municipal works because we cannot sell our bonds; we cannot raise the money in the open market.

I am not going to discuss that angle, or the reasons for it, but the effect is there, and we know it well. So that our thought is simply this, insofar as this taxation problem is concerned, that one of two things should happen: either that we should receive additional assistance from the senior Governments, to assist us in carrying on the social services and other services that we are required to give, and which should not be a charge against property; or that many of these social services should be assumed by the higher taxing authorities. That is the main thought in the matter. I think it represents the considered opinion of all the cities.

Now, I know of course it will be said "Where are the federal authorities going to get the money?" This Commission, I suppose, has heard many suggestions as to what the Dominion Government should do in regard to all these problems. Well, all I can say is this: That we on the lower rung of the ladder have got only one avenue from which to get our money. We find that our provincial legislature, - and I am not speaking about the present one only, the same applies in the other provinces,-from time to time passed certain provincial legislation, and we wake up to discover this means more money that the municipalities have to find. While these things are very desirable and many of them necessary, most of them naturally came into being in the days when conditions were good; no one gave any particular thought as to what was going to happen when we fell upon hard times, and how these things were going to be paid for. It is much easier to put this legislation into effect than it is to get rid of it, and it is naturally much easier to pay in good times than it is in bad times. As a result all these problems have accumulated.

there is no question about it, and all these cities are on the ragged end of bankruptcy and insolvency, and we do not know which way to turn. Naturally, all one can do when the opportunity presents itself, as it has at the present time before your honorable body, is to make suggestions to relieve our difficulties, and whether it can be done or not I do not know.

COMMISSIONER DAFOE: What are the views of the Alberta cities as to the propriety of education being charged against real estate?

MR.DAVISON: Well, that is covered in the brief; we do not think it is a fair charge. At the present time we carry, on an average, 93% of the cost. The subventions we receive from the provincial government in Calgary, and, I think in Edmonton too, is about 7%.

COMMISSIONER DAFOE: In British Columbia we had representations from the cities. Each limited the levy on real estate practically to providing the physical means for education, and suggesting that the province should bear the balance. Is there a corresponding opinion in this province?

MR.DAVISON: Yes. Seeing, Doctor, you have brought it up, in our recommendations at the end of this brief the following is suggested:

> "As to the Financing of Education: (3) That while affirming the principle of Provincial responsibility to maintain the service of education, the cities realize the difficulties involved in effecting an immediate radical change in the system now in force. In view, however, of the situation now disclosed, the cities urge that a policy of increased grants be at once adopted by the provincial government, commencing with an additional 10% of the total cost, and leading by progressive stages to an ultimate

equal division of the burden between the cities and the province".

(Page 6157 follows)

That is our suggestion to your Commission, but the opinion is quite general that at the present time the levies for education against property are entirely too high and are not justified.

THE CHAIRMAN: Just one further question. Do those who are not property owners or business men pay any tax in the City of Calgary?

MR. DAVISON: That again is a question of argument. Those who pay rents say they pay taxes or at least assist in paying taxes. Rents generally are considerably lower than they were a year ago, so they have evidently got a reduction in their taxes.

THE CHAIRMAN: How about single unmarried men who are on salary?

MR. DAVISON: No tax. We had in Calgary an arrangement, as His Worship Mayor Fry mentioned a few moments ago, what was called a service tax. That was a short of junior income tax with a maximum, I believe, speaking from memory now, of $250. In those days the province had not an income tax and we got power in both cities to levy this service tax and it was based on earnings. We had that for a number of years and back a few years ago, 1930, '34, I just forget now, that power was taken away from us. It was, to be quite fair about it, when we got the original power, with the understanding with the then provincial government, that if the province ever decided to put on an income tax, we would have to forego that particular tax. That tax collected us on the average in good years around $60,000 a year and there was an offset to the man who was a property tax payer. The service tax was offset and he paid whichever was the greater. But with the provincial government a few years ago enacting an income tax of its own we lost that particular revenue, but to assist us we were granted $60,000 for a year

and then it was reduced to $45,000 for two or three years and it now stands at $30,000. We have no service tax, no poll tax, no education tax or anything of that kind.

THE CHAIRMAN: Thank you.

COMMISSIONER MacKAY: Have you any authority to levy any such tax under your Charter?

MR. DAVISON: No, not at the present time.

COMMISSIONER MacKAY: You cannot levy a householders' tax, for instance?

MR. DAVISON: No, we have not any authority. There has been discussion both in Calgary and Edmonton I think.

MR. FRY: We have authority to levy a poll tax up to $10.

MR. DAVISON: I do not think we have even got that. We have no authority. We did have, to levy this service tax, but as I say this was taken away from us when the province inaugurated their income tax.

THE CHAIRMAN: Do you levy a poll tax, Mayor Fry?

MR. FRY: No, sir.

THE CHAIRMAN: A question came up and was discussed in British Columbia as to whether it was not in the interests of the cities and citizens as a whole that every citizen who receives the benefit of municipal services and is in receipt of income should pay something towards the cost of civic government, whether it would not quicken interest in all citizens in civic government if they had to make a contribution towards the taxes. What do you say about that?

MR. DAVISON: As I say, we have not the power at this time.

THE CHAIRMAN: No, I realize that, but I am speaking about the future.

MR. DAVISON: There is naturally, of course, objection

to paying taxes of any kind, but you have a Dominion income tax, you have a provincial income tax and in some parts of Canada they have a municipal income tax as well. My thought is the three should be amalgamated, that there should be one income tax and that that should be pro rated, if that were possible. Now, I do not know whether it is or not.

There must be a great overlapping in administration and in greatly increased administrative costs, to have three sets of machinery to collect the same kind of tax.

THE CHAIRMAN: Thank you.

COMMISSIONER MacKAY: No consideration has been given to restricting the franchise in the cities to those who pay taxes?

MR. DAVISON: No, we have in Calgary and Edmonton practically a wide-open franchise. There is no longer any property qualifications in Calgary either to hold office in our City Council or on our School Board. Anyone who has lived in the city for one year and is a British Subject is entitled to the franchise. There is objection in some quarters to the franchise being so wide. It is a moot question but still that is the situation. I think that is just about the same in the city of Edmonton.

THE CHAIRMAN: I suppose the voting on money by-laws is restricted?

MR. DAVISON: Only the burghers, the property taxpayers. But in electing the mayor and city commissioner of Calgary and members of the city council and school boards, one year's residential qualification is all that is required, plus the fact that he is a British citizen; with the result that the burghers are greatly outnumbered.

MR. FRY: Then I think the next thing we had better consider, Mr. Chairman, is the exemption from local taxation now enjoyed by an increasing number of non-property owners.

And in this respect: "An analysis of Real Property in the Cities now exempt from taxation reveals a situation that requires consideration of the three taxing authorities. These exemptions are equal roughly to one-third of the total assessment, and they constitute valid grounds of complaint. It needs to be emphasized that exemptions from taxation are in fact a bonus, and that the loss of revenue resulting therefrom has to be absorbed by the local taxpayer.

The statutory exemptions in force in the City of Edmonton now stand at a total value of $17,654,000,"

This is on page 6, sir, under Real Property Exemptions, I am reading the second paragraph:

"and in the City of Calgary at $18,028,000. In each of these Cities properties owned by the Provincial and Dominion Governments have an estimated value in excess of $5,000,000."

We believe, sir, that that is an unfair condition. We believe both the provincial and Dominion government should pay taxes on their property within the cities of Alberta, or in lieu of that to do the same as they do in Great Britain, where they make a grant which is generally equal to what would otherwise have been paid in taxes.

THE CHAIRMAN: Are you sure of that, Mayor Fry? It is a matter we intended inquiring about, the practice in Great Britain. You say the government does make a grant to the municipality?

MR. FRY: That is our information. Mr. Duggan is the gentleman that gathered that information for us and we assume that is correct.

THE CHAIRMAN: We intend checking it up.

MR. FRY: If there is anything we can do, Mr. Duggan could provide for you his authority for making that statement.

THE CHAIRMAN: Mr. Duggan could show it to our secretary or Mr. Stewart.

COMMISSIONER DAFOE: Do you recognize the distinction between government property used for purely governmental, administrative purposes, and government property that is employed in business operations?

MR. FRY: Yes, we have another paragraph on that somewhere. For instance, we think the provincial government which carries on some profitable business within the city of Edmonton should also pay a business tax the same as any other business which is carrying on a profitable undertaking.

For instance, I refer to the liquor business. The province of Alberta controls the sale of its own liquor and in the city of Edmonton they have a very profitable business which is exempt from taxation and also exempt from the business tax which we impose on other industries who are carrying on business. I think in our recommendations you will find that that is one of our recommendations, that they also pay us business tax where they have property here which is bringing them in revenue. But beside that we think that even when they have it for purely administrative purposes, they should make us some grant, because we, after all, give them the benefit of many services here and we think they should help us to bear that burden.

THE CHAIRMAN: Mayor Fry, would not the answer of the government be this: -I am only putting it up because the government is not here to put up the proposition - That the erection of the parliament buildings in Edmonton, plus the employees which they bring to the city, are so great an advantage to the city that the city should not expect taxes on the parliament buildings and other government buildings?

MR. FRY: Of course, that same argument, sir, can be brought forward in connection with private industry. For

instance, a year or so ago we had a new packing plant established in the city of Edmonton and they could quite well have said to us the same thing: "We are bringing in a lot of families, giving employment to a lot of families, and that sort of thing, and therefore we should be relieved of taxation." It seems to me that the senior governments have no better argument that any private industry which might wish to locate here. Of course, if we gave exemptions to everybody we would have no source of revenue whatsoever.

THE CHAIRMAN: No.

MR. FRY: I think that is all I have to say on that matter.

I think possibly we had better discuss now, to some extent, the burden of the cost of education. We have already tried to point out to you, sir, the burden of these social services which we think we should not bear. In regard to the cost of education, as Mayor Davison has pointed out to you, the cities of the province pay approximately 93% of the cost. Beside that we have to provide the schools and that sort of thing, the buildings.

THE CHAIRMAN: Mayor Fry, have you any comparative statement as to what is the percentage of the cost paid by the provincial governments in other provinces in cities?

MR. FRY: We will supply you with that, sir.

THE CHAIRMAN: Thank you.

MR. DAVISON: I would just point out, if I may, I understand in Saskatchewan now they have levied a sales tax which they call an education tax and the revenue derived from that source is paid to the various school districts. as assistance. So certainly so far as Saskatchewan is concerned from last year on the school districts are getting greater assistance than we are here by virtue of that particular tax.

MR. FRY: May I point out to you, Mr. Chairman, in

Edmonton's 54 mill rate, approximately 27 mills goes as our contribution to the costs of education.

THE CHAIRMAN: That is half your taxes?

MR. FRY: That is approximately half the taxes, yes sir.

THE CHAIRMAN: Is that because your schools are of an exceptional quality or your other services are not receiving the attention they should? It strikes me that 50% of the total taxes, while it is true in some cities and towns, is larger than normal.

MR. FRY: Of course, may I point out to you, sir, that the provincial government is the controlling factor in the cost of education. They set the curriculum and if they think there is something which will improve the educational advantages for young people, they simply say "We will do so and so" and as far as the cities are concerned, we have to find the money, that is all there is to it, except the small contribution of 7% which they give to us.

Now, you say that seems an excessive cost in relation to the whole and I agree with you. If you have noticed our streets here, we have not been able to keep our streets up. We probably have more mud streets in the city of Edmonton than any city I know of. We simply have not been able to find the money to keep up the streets in the condition we should keep them in. And the school boards are in this position, that they requisition the city of Edmonton for their requirements and the city of Edmonton has to provide those requirements up to 100%, whether we collect or whether we do not collect it. We pay 100% of what they ask from us and we collect probably 80% of that in our taxes, so it makes it very difficult for us.

THE CHAIRMAN: In your recommendations, do you recommend any change in that respect? Perhaps I should not

anticipate, we will come to it.

MR. FRY: Mayor Davison has suggested if we would go the recommendations that possibly we could discuss this. Page 28, number 3. Mayor Davison has already pointed out to you our recommendation in respect to education. As the Chairman suggests, 50% of the revenues of any city to go to education is an excessive amount. We agree with that.

THE CHAIRMAN: I do not mean that education is necessarily getting too much, but in view of all the services which a city must perform for its citizens, that does seem to be a little out of proportion.

MR. FRY: Yes, we agree with that, sir.

MR. DAVISON: May I just make this observation? Of course one of the difficulties, to be fair to the school boards, Mr. Chairman, is that the big percentage of the educational cost is covered by two items, salaries and the cost of servicing our debt. As you no doubt realize in Alberta here the school boards are independent bodies. They prepare their own budget, they indicate to the city council, for instance, the amount that they require for the year. The city council includes that in the annual budget. It collects it and it gets blamed for it, that is just about what it amounts to.

THE CHAIRMAN: Do you think it would be an improvement if you could make the school board make their own collections and let them get blamed for it?

MR. DAVISON: The blaming part would be all right, but we would be merely increasing the cost of tax collection again by setting up another body.

COMMISSIONER MacKAY: Has the city council no control whatsoever over the amount which the school board levies?

MR. DAVISON: No. I will say this, that in Calgary at least we have worked pretty well with our school boards.

As a matter of fact I had a conference the other day with the chairman of the board and the chairman of the finance committee because they were asking for more money this year and I wanted to find out the reason. I think they have tried to the best of their ability to keep the costs down.

THE CHAIRMAN: I suppose they have cut salaries during this depression?

MR. DAVISON: There have been some cuts, yes, but I think it was the city of Winnipeg that got power the other day in the Manitoba Legislature to have some control over the budget of the school board.

COMMISSIONER DAFOE: They are trying to get it, I am not sure whether they have got it.

MR. DAVISON: I am not either, Doctor, but I noticed they were asking for it. There is one school of thought that thinks we should just have one body administering all the affairs of the cities, schools and City Council work as well. But in Calgary we have reached this stage: the law provides in this province that we must pay the school board its rate during the current year, I think in three instalments, if I remember correctly. We have been unable to do it.

THE CHAIRMAN: That is the same as in some of the other provinces. It is the same as in Ontario and it is the same as in Manitoba, unless the law has been changed recently.

MR. DAVISON: The difficulty of course has been that that was fine at the time conditions were normal and when tax collections were kept up to 100%, but since 1933, I presume we are breaking the law but we are getting away with it, we have been paying the school board and the school board have accepted its share of the taxes as and when we have collected them and they have had to do their own financing

with the bank. But this question of education costs, I don't claim to be an authority, but as far as the necessity is concerned, there is no doubt about it that half the tax levy of these cities is required for education. In our 52 mills about 13 mills was required for relief and about 26 mills for education. That meant 39 mills and left 13 mills for our different charges, for our police, for our fire departments, for the maintenance of our streets and so on. And you can see just how we have cut everything right to the bone.

COMMISSIONER ANGUS: How have the cuts in teachers' salaries made by the school board compared with the cuts in the salaries of other civic servants made by the council?

MR. DAVISON: I cannot answer that definitely but I think in the main the cuts in civic employees were greater, I think somewhat greater. I think we in Calgary are the only city that have a 5-day week. We close our city hall on Saturday. We are at least progessive to that extent. We put in a 10% cut some years ago on our civic employees generally. the heads of departments took up to as high as 35%. It is an example that our employees have helped out as much as they could to assist us. In addition to that the men working 48 hours went on 44 hours a week, those working 44 hours went on 40; and that cut represented another 8-2/3%. So the rank and file accepted a straight cut at least a loss of earnings of nearly 19%. Just what the cuts were for school teachers I am not in a position to say but they also accepted some.

COMMISSIONER MacKAY: How are the school boards created?

MR. DAVISON: In Calgary we have a school board of seven.

COMMISSIONER MacKAY: Elected each year?

MR. DAVISON: Elected one year. Three elected for two years and the next four elected for three years.

COMMISSIONER MacKAY: Does that system of election hold throughout the province?

MR. DAVISON: Yes, we have a city council of 12 and a mayor.

COMMISSIONER MacKAY: Elected for two years or just each year?

MR. DAVISON: Yes, it is an elected body and in Calgary we have proportional representation, we elect under that form.

COMMISSIONER DAFOE: You elect at large?

MR. DAVISON: Yes, we have no wards. We abolished those years ago.

MR. FRY: I do not want to leave the impression with you that the school boards had not co-operated with the city council. I hope I have not left that impression. Also in regard to your remark about the percentage of the costs of education. There is one point that I think we missed and that is that we get quite a bit of our revenue outside of the tax rate, for instance our utilities, I pointed out, was a million dollars, and that would change the percentage of the cost of education to our total revenue.

THE CHAIRMAN: Yes, thank you. The percentage of the cost of education is not 50% of the total revenue but 50% of the amount collected in taxes?

MR. FRY: Of the amount of the tax rate, yes, but not the total revenue. As I say, we have additional revenue.

On page 17 we have a chapter dealing with the funded and unfunded debts of the cities of the province. You probably note that Edmonton is in a more unfortunate situation than any of the other cities in respect to the amount of the debt that we owe. But of course offsetting that, as I pointed out before, is the fact that we have these public utilities which are worth a great deal to us. I think it was pointed out to you before, sir, that the cities of Calgary

and Edmonton during the Fall of 1936 found themselves in financial difficulties. The cities of the province have never defaulted on any interest payment nor on any principal payment. We have always paid, no matter how difficult the paying became. But so far as the city of Edmonton was concerned, in 1936, when it came to striking the mill rate we found in order to balance our budget we had to strike a mill rate which would have been in the 70's, 73 or something like that, which we, in the temper of our taxpayers, knew was an altogether impossible position. So we only put a mill rate of 55 mills on that year, which was not enough or anything like enough to balance the budget. The result was of course trouble rightaway. We had to get an overdraft to take care of the deficit and the bank rightly said: "We are not paying your taxes." And we found ourselves in the position where, in the very near future, we would have had a default in either our interest payments or some of the principal payments. So the cities of Edmonton and Calgary made an effort and were successful in getting in contact with their bondholders and I believe Mr. Fortin is here, he shook hands with me a little while ago, but it is due to his negotiating for the bondholders, after a long period of negotiations, we arrived at what we all believe is a fairly satisfactory arrangement, where we extended our debts and brought them from a sinking fund basis onto an annuity basis. For that reason in 1937 the city of Edmonton was in the position where it was able to balance its budget and we hope we will be able to continue to balance our budget. And we also reduced the mill rate by 1 mill, from 55 to 54 in 1937, and did balance our budget and we hope to continue that. But even at that we have a condition here in the cities where debt services are very, very heavy and we believe that we have been paying and are paying excessive interest rates. We think the burden

for a young city is almost unbearable. We did, in that connection, get one valuable concession from the bondholers and that is that the bonds of both cities are now callable on any interest due date.

COMMISSIONER DAFOE: Did you have much difficulty in getting that right? Was it a case of lengthy negotiations?

MR. FRY: Yes, it was a case of fairly lengthy negotiations. First, we had to convince our provincial government that that was a wise course to take, and that took quite a bit of convincing, but finally they agreed to it. Then from the other side it was a very lengthy process. We had $32,000,000 of debentures out, of which we had to get 60% majority in favour of the scheme. To find all those debenture holders and to get their consent was, I understand, a very difficult matter but was finally accomplished and the whole scheme is settled now.

COMMISSIONER DAFOE: Was there any question of the minority appealing to the courts against that?

MR. FRY: We do not know, we think not. We hope not. So far there is no sign of it at least and everything seems to be going along very nicely.

THE CHAIRMAN: What is the rate of interest?

MR. DAVISON: 4½%, sir.

MR. FRY: 4½% on the extended bonds. But may I point out to you, sir, that these bonds bear the original rate of interest until the original due date and for the extended period they then bear 4½%. For instance, our bonds carried interest rates up to 7% and those bonds will be due --

THE CHAIRMAN: You must have issued those when interest rates were very high?

MR. FRY: Those 7% were issued in 1921 and are 20-year debentures and they come off in 1941, and when 1941 comes, instead of paying 7% on those we will pay 4½% for the extended

lifetime.

THE CHAIRMAN: As I said yesterday, dealing with the submission of the Chamber of Commerce, interest rates are determined by the condition of the money market and the character of the security. There always has been, until the defaults occurred during this depression, keen competition to purchase provincial and municipal securities. One must assume that if the interest rates are higher than other places paid, it was because the security was not deemed to be as good. It is like the quality of any commodity you sell in the market, the price depends upon the quality and the estimate of the buyer of the quality.

MR. FRY: Of course, we have always contended that all Western Canada has paid interest rates higher than a new country should be called upon to bear. We have here a new country and a new city which we have to develop. We have not the advantage, over a period of years, of the taxpayers having improved our streets and that sort of thing; we have to do it all at once.

THE CHAIRMAN: It is a very heavy burden, there is no doubt about that.

MR. FRY: And we have probably gone into the market, and I confess to you, some time ago, in the boom days, we did some foolish things, there is no question about it, but it is in the past and that is the difficulty that is handed down to us and we must get out of it as best we can.

THE CHAIRMAN: Do you think 4½% is an unreasonable rate?

MR. FRY: I could not say as to that. I think it is a fairly good rate, but nevertheless it is a very difficult rate for us to carry. It is impossible. In the aggregate it means a very great deal and of course as I said for the original due date of these bonds we have to pay the original

amount contracted for. But we are asking in our recommendations, we think the senior governments could help us in some measure and that we could then refund, as we have the right and privilege now of calling these bonds on any due date and we think that probably by some consolidation of the municipal debts and with some help from the senior governments we might get money at a cheaper rate than that which we are at present carrying and therefore reduce our burden.

THE CHAIRMAN: I am just expressing my offhand impression but I should think you could not expect the Dominion government to undertake to look after the refunding of municipal obligations. That would be a question, I should think, if undertaken at all, that would have to be undertaken by the provincial government. The Dominion may deal with the province in respect to provincial obligations but the municipality is the pure creation of the provincial government.

MR. FRY: Yes, but --

THE CHAIRMAN: And the obligations of municipalities all over Canada would be so gigantic I should think it would be difficult to get them to entertain such an idea. You might get the province to entertain the idea. I do not know if it is the case in this province but in some provinces the province does guarantee the debentures of certain municipalities. I know in Ontario in the Northern mining districts, where it was difficult for the municipalities to sell their securities, the province of Ontario guaranteed them. They were able thereby to sell them bearing a moderate rate of interest. I do not know in this province that the province has ever guaranteed the liability of any municipality.

MR. FRY: Certainly not of the cities, sir. We believe the problem of debts, especially in Western Canada is a problem that must be faced and, as I say, probably

must be faced through the provincial government, we will admit that, but it is a problem that must be faced.

MR. DAVISON: Mr. Chairman, our thought is this: we feel that it is practicable and it would be advisable and also that it should be possible for the Dominion government to guarantee a refunding loan on the distinct understanding, we made the suggestion similar several years ago to the late federal government on the understanding that the necessary sinking fund would be levied and would be paid in in trust, if necessary, in Ottawa. We felt that the situation has been relieved somewhat by this refinancing scheme that we have put into effect and that has enabled us to pass on to our rate payers some reductions in taxes, but we are still faced with the situation that we are paying 4½% which, in the opinion of most of us is too high, that there should be a lower rate of interest possible than that. And now we have honestly desired to pay our debts and to date we have done so with a great deal of sacrifice on the part of our taxpayers and we feel that if a contract is entered into to pay a certain rate of interest, that that contract should be carried out, If we find it is impossible, the only fair and proper course to take is to go to the people to whom we owe this money and say:"We are broke", just the same as a business concern would do."Now what deal can be made that would be fair and equitable to both parties." It has been suggested that there should be an arbitrary reduction in interest, but speaking quite candidly, the trouble we have in this province is that we have some people who certainly by their actions think it is a vice to pay interest but it is a virtue to collect it. Now, we do not agree with that at all. We found in dealing with the representatives of our bondholders, that when we revealed the difficult situation in which we were placed, they showed an inclination to assist us. I will say that

the agreement in its final form or the arrangement in its final form was not what the bondholders representatives offered to us in the first instance, but by a certain amount of reasonable and open-and-above-board negotiations, we were able to get somewhere.

I would just say for your information, sir, that this particular refinancing plan in Calgary was submitted to our taxpayers and was endorsed by a big majority. But we are still faced with the situation that the rate is at 4½% which we believe is quite heavy at the present time, and if it were possible through some form of guarantee for the senior governments to enable us to get new money at a lower rate, we are in the position now to do it because we succeeded in getting this callable clause inserted into those debentures. The arrangement was ratified and confirmed by the board of public utility commissioners and also by the order of the Lieutenant-Governor in Council of this province, and was accepted by considerably more than 70% in value of the holders of our bonds. So we are in a somewhat better position to-day but we still feel we have got to go a step further, but we want to take that step in a fair and honest and above-board fashion, and that is why we are suggesting, if possible, some assistance from the senior governments.

COMMISSIONER DAFOE: Speaking of the general refunding scheme that was mooted some time ago, how wide was that proposition?

MR. DAVISON: Of course I recognize that if all the municipalities of the Dominion decided they wanted to refund and all the provinces decided they wanted to do so and the Dominion, you have got something over seven billions of money represented in debts, and I suppose that probably would not be possible, but in those cities where there is necessity for a reduction in interest rates, a Dominion guarantee would certainly help us.

COMMISSIONER SIROIS: Mr. Mayor, you say:"Full particulars of the Plan of Adjustment are contained in the accompanying Addenda and in Exhibits marked E and G." We had that addenda but where are those Exhibits "E" and "G" referred to on page 17 of your brief?

MR. FOWLER: There was one copy sent to Ottawa.

MR. DAVISON: There should have been more than that because we have got plenty of them. There was a white paper, might I suggest, issued by the bondholders in explaining the scheme to those who held city of Calgary debentures. I have here not only a copy of that but also an explanation of the plan, two explanations of the plan. And I would be very glad to file those for your information.

THE CHAIRMAN: That might be put in as an Exhibit. The brief I suppose will be 238 and this plan will be 239.

EXHIBIT NO. 238: Submission of the Cities of Alberta

EXHIBIT NO.239: Addenda to the Brief of the Cities of Alberta

EXHIBIT NO. 240: Exhibits "A" to "K" of Brief of cities of Alberta

MR. DAVISON: The explanation of the city of Calgary plan is similar to the one put into effect in Edmonton.

THE CHAIRMAN: Mayor Davison, I am afraid the very fact that you have stated and the summary you have made of the total obligations represents a situation which would pretty well preclude the Dominion from undertaking any refunding plan relating to the cities. If the cities need relief, the source to which they must go, as a practical proposition, would appear to be to their own provinces.

MR. DAVISON: That does not work in Alberta. Municipal bonds to-day are selling from 20 to 25 points higher than provincial bonds. Probably it might be better in Alberta

if the municipalities gave a guarantee to the province.

THE CHAIRMAN: So far as this Commission is concerned, in any recommendations it makes, it has got to take the Dominion as a whole and it has got to look at it from the standpoint of the relation of the Dominion to the provinces and whatever may be the conditions to which you refer, it is not for us to express an opinion on that.

MR. DAVISON: I appreciate that. I realize the difficulties all right, sir.

THE CHAIRMAN: However, we have your recommendation on it.

MR. DAVISON: Yes. That recommendation has been approved by other cities in other parts of Canada, by the conferences of Canadian mayors, and I think they all realized the difficulties but probably thought that they are not entirely unsurmountable.

THE CHAIRMAN: Hope still springs eternal.

MR. DAVISON: Yes, sir, it does, even in Alberta.

MR. FRY: I think we might continue our discussion by turning to the recommendations on page 28. We have already discussed unemployment relief and other social services. I might read it for a review of the matter:

> " That in the matter of costs of Unemployment Relief and such Social Services as Hospitalization, Health and Welfare Services, the Cities be relieved of the present burden, and that it be assumed, both as to administration and finance, by the Federal Government."

Well, we have discussed that, sir.

> " That while affirming the principle of Federal responsibility for Unemployment Relief and the other Social Services referred to above, the Cities be held responsible during a transitional period for a contribution of an annual sum not in excess of 20% of the total cost of these services."

We have also discussed that. When I was down at the Mayors' conference, just came back last Sunday morning, I find this offer from the cities of Alberta is a very generous one, because I found that mayor after mayor got up and complained of what his city was bearing and in many cases it was at that time less than 20%. It ranged all the way from 20 to 40. And as I told those gentlemen there, if we were in the position that we were not contributing more than some who had spoken, that we would think we were in Heaven.

As to the financing of the cost of education, we have already discussed this:

> " That while affirming the principle of Provincial responsibility to maintain the service of Education, the Cities realize the difficulties involved in effecting an immediate radical change in the system now in force. In view, however, of the situation now disclosed, the Cities urge that a policy of increased grants be at once adopted by the Provincial Government, commencing with an additional 10% of the total cost, and leading by progressive stages to an ultimate equal division of the burden between the Cities and the Province."

I do not think we need to discuss that further, sir?

THE CHAIRMAN: No.

MR. FRY: But item number 4:

> " That in view of the close relation of Technical Education to the Trade and Commerce of Canada, this type of national service be promoted by the Federal Government in the form of annual grants-in-aid."

I think, sir, we can look at that for a few moments. I believe the university of Alberta submitted a brief to you and they pointed out what they were doing in the training of young men who would advance the commerce of Canada. The federal government until some time recently did give grants

to technical education throughout the province but that has now been abandoned.. The total cost of technical education is being borne by the cities. We think that our argument is quite as sound as the argument which was advanced by the university the other day and we think that was sound, that in giving technical education we are training young people to be of service in the commerce of Canada and we are recommending, sir, that the federal government re-institute a form of grant-in-aid to technical education.

(Page 6180 follows)

As to the funded debt of the city, we have just discussed that, but I will read it again. I quote:

"5. That consideration be given by the Federal and provincial governments to a Refunding Plan of the debts of the cities of the province, with the object of diminishing the present burden of interest rates, and securing by appropriate measures a substantial easement of the existing load."

As I have said, we have already discussed that, and I do not think we need to discuss it further.

Now, coming to number six, I read:

"6. That the cities of the province be credited by the federal government with all monies expended both by way of capitalization and cash outlay since 1930 in connection with Unemployment Relief."

This is rather a large order, but these are very heavy debts. The city of Edmonton is not in as fortunate a position as the city of Calgary in this respect. The city of Edmonton capitalized more for the unemployment relief burden and it now owes the Dominion government through the province $1,250,000. besides some other capitalizations. We feel that if unemployment relief is a Dominion responsibility, as we have contended it is, then, not only should the Dominion take that burden for the future,, but it should reimburse the cities for what has been expended in the past

Returning to the brief, I quote:

"As to Matters of Taxation.

"7. That the municipal levy on real property be limited to the cost of services beneficial thereto."

That is our contention. We have tried to put it before you. It is our belief that real property should not bear these services which have progressively been forced upon it. I will not say anything more about it, however,

as we have discussed it rather fully.

I come now to number eight, which reads:

"8. That services that benefit persons, either as individuals or as a community, be paid for by personal taxes."

Now, that is a suggestion as to how we believe the burden on real property can be reduced.

THE CHAIRMAN: That means, as I understand it, that the municipality should be in a position to levy a tax on income on those who do not pay real property taxes, is that it?

MR. FRY: That is it, providing we have to continue to carry these services which are being carried by the cities. Of course, we are unable to continue making the same contribution to education, but we are not asking to go scot-free of education. As Mayor Davidson has already pointed out to you, there is a tax being assessed against the people and which is called an Educational Tax. It is being earmarked for educational purposes and it is our belief that something like that might be beneficial to us.

Now, we come to number nine, and I continue to quote:

"9. That premises used by the province in profit-making enterprises be made subject to the Business Tax imposed by the cities."

This point has already been stressed in connection with the Liquor Control Board, so we will go on with number ten.

I quote:

"10. That exemptions now enjoyed by the federal and provincial governments with respect to properties owned by them be withdrawn, or in the alternative that grants in lieu of taxes equivalent to what would otherwise have been levied be made to the

"local authorities by the respective governments."

This point has been discussed very fully, so we will continue with the reading of number 11.

"11. That in future no additional social services be imposed upon the cities by the superior governments without adequate provision first being made by them for the financing of such services."

Of course, we are asking that no further services be imposed upon us and that those which have already been imposed upon us be withdrawn, or be assumed by one of the superior governments. In the event that this cannot be done, we feel, that whenever a new social service is forced upon the municipalities, an adequate source of revenue should be provided at the same time to meet the cost of that social service.

I think that finishes our recommendations, sir, I do not know whether Mayor Davidson wishes to make any further remarks or not.

MR. DAVIDSON: No, thank you, the matter has been fully discussed.

MR. FRY: I will close with the reading of our last paragraph.

I quote:

"In conclusion, the cities of Alberta desire to emphasize an aspect of their problems which they feel has not in the past received sufficient regognition. They claim that in the national task of the colonization and development of this section of the Dominion they are partners with the federal and provincial governments in a common cause, and they are convinced that only in the light of that relationship can the problems with which each is confronted find satisfactory solutions."

I think it has already been pointed out to you, that of the three governments, the cities and municipalities have the least to say in the policies which are being formulated and which affect the cities and municipalities.

Take the matter of unemployment relief: Ottawa says a certain thing and the province says another. We are kept going continually from pillar to post. We are not invited to sit in on these negotiations. As Mayor Davidson has pointed out, we go to the responsible minister in our legislature and are told one thing by him. We then go to one of the ministers in Ottawa and are told something different by that minister. We are continually in a quandary to know just what we should do. We are driven back and forth--that seems to be our position. We are helpless at the bottom of the heap and we have to do as we are told no matter how onerous or unfair we feel the duty is which is being imposed upon us.

On behalf of the cities of the province of Alberta, I wish to thank you very kindly for the hearing which you have accorded us. It is our hope that we have been able to make clear rthe position of the cities in this province and we know that you will give it your careful consideration.

THE CHAIRMAN: Mr. Stewart, have you any questions which you would like to ask?

MR. STEWART: No, my Lord, I have not.

THE CHAIRMAN: I am sure all the members of the Commission feel that you, Mayor Fry and Mayor Davidson have presented the case for the cities in a very clear and forceful manner. We have been very glad to hear your submission and it will receive our most earnest consideration.

The next presentation which will be heard will be that of the Union of Alberta Municipalities, which is submitted on behalf of the towns and villages of Alberta. This brief is being presented by Mayor S.A. Fox, and Mr. Fitzallen.

SUBMISSION BY

UNION OF ALBERTA MUNICIPALITIES

MR. FOX: Mr. Chairman and Members of the Commission: On behalf of the Union of Alberta Municipalities, I wish to extend to this commission our appreciation for the courtesy extended to us in receiving our brief and , in particular, for the hearing this morning.

At the time of our convention last June, it was the intention of the province, we believed, to submit a brief to this commission. The Hon. Mr. Solon Low, Provincial Treasurer, suggested that if it was the desire of our union to submit a brief to their committee which had been set up for the purpose of preparing the brief for this commission, it would be most acceptable. With that thought in mind, the convention appointed Mayor Fry on behalf of the cities and Mr. Fitzallen, Secretary-Treasurer of Vegreville to prepare a brief. The one was to be on behalf of the cities and that of Mr. Fitzallen was to state the position of the villages and towns. Mr. Fitzallen has prepared this brief on behalf of the towns and villages expecting it was to be submitted to the provincial committee. However, since the province has seen fit not to present a brief, we have asked for permission to present this to your commission.

The problems of the towns and villages, after all, are identical to those of the cities to which you have been listening this morning, for approximately two hours. I do not think it will be necessary for us to occupy very

much of your time, but with your permission, sir, I would ask Mr. Fitzallen to present some argument in support of this brief. He may be supported by Mr. Evans, Secretary-Treasurer of Athabaska.

MR. FITZALLEN: Sir, and Gentlemen;: there is quite a lot in this brief which is probably repitition of what has been submitted by the cities. I want to avoid taking up too much of your time by repeating things which you have already heard. I might just say that this brief is submitted on behalf of some 52 towns and 147 villages in the province, having a population of 49,000 people according to the 1936 census.

THE CHAIRMAN: How many people must be in a place before it can become incorporated as a village?

MR. FITZALLEN: I think it is 200 people for a village and to be incorporated as a town, it is 1,000, sir.

THE CHAIRMAN: And what is the limit set for a city?

MR. FITZALLEN: I believe it is 5,000, sir.

THE CHAIRMAN: You would represent the communities from a population of 200 to 5,000, would you not?

MR. FITZALLEN: Yes, that would be so.

It is our desire to submit to you, to start with, what we believe to be the function of our municipalities. I will just read those three sections in which we set this out.

I quote from the brief:

"1. That these urban municipalities were erected as such because of a desire by owners of properties comprising these communities to provide collectively for their respective properties, certain services which they could not individually provide.

2. That having become so erected into urban

"units, the properties included therein, became properly taxable for the cost of such services and for no other.

3. That services to persons as apart from property, that do not contribute to the utility, increment or safety of property, are not properly a function of municipal administration and are not properly a charge on property."

Those are the functions which we feel the municipalities should have and we feel those functions should be limited to that.

THE CHAIRMAN: Do you go so far as to say that the communities should not bear any responsibility for education, Mr. Fitzallen?

MR. FITZALLEN: No, I did not mean to suggest that.

THE CHAIRMAN: I would think not, because from the earliest of the organized municipal institutions, I should say in this province as in all of the English speaking provinces where there are public schools, the local municipalities have been responsible for a substantial portion of the cost.

MR. FITZALLEN: It was not our intention to infer that such was not a proper local responsibility. This is one of the main functions of the municipality, but since that time, it has been required to assume a lot of duties or functions which were certainly not included in the original set-up. Insofar as education is concerned, we submit that that is properly a municipal function, but we do not think such a large percentage of it as is borne by real property, should be borne by real property. It is the feeling of this union that real property is bearing too high a percentage of that burden. We contend that this should be remedied by a larger grant from the province.

THE CHAIRMAN: At present, I see approximately 90 per cent of the cost is required to be provided by the municipal administration, is that correct?

MR. FITZALLEN: The province only contributes about 10 per cent, and it works out so that the municipalities have to contribute about 90 per cent of the cost. The municipalities have also indigency, mothers' allowance, and unemployment relief to bear. A very considerable measure of this, is a charge against property. Some years ago, the province required us to make a levy on property for provincial purposes. Either last year, or the year before, the municipalities were required to increase that levy. The Union of Alberta Municipalities has gone to the province year in and year out, to complain because the municipalities were required to raise money for these various purposes. This was a burden upon real estate in our towns and villages which real estate could not support. A lot of confiscation was the result, and this union has made representations to each of the governments which have been in power to secure relief from this burden. Each time, the union has been told that the province could not assume these burdens until the province, in turn, was relieved of certain disabilities which it felt it suffered from the Dominion. The union has been unable to secure redress because of this condition. Whether the statement of the province is accurate or not, we do not attempt to say, but the governments which have been interviewed, the provincial governments, have maintained that this was so.

In our brief, there is a paragraph setting out in some detail the extent of this burden. I have made a summary of it here, which I will read. In 1936, 55.4 per cent of the total expenditure of these towns--I did not

include the villages in this calculation as it was a difficult calculation to make. Fifty-five point four per cent of the $574,938.00 which was spent by the fifty-two towns of the province went for services which did not benefit real estate.

THE CHAIRMAN: What do you include in those services that do not benefit real estate?

MR. FITZALLEN: We did include education in that calculation, sir.

THE CHAIRMAN: Education would be a very substantial percentage of that amount, would it not?

MR. FITZALLEN: It would be sir, I think, some 30 per cent.

THE CHAIRMAN: So apart from education, approximately 22 per cent goes for services which you say are not for the benefit of real estate. This would include unemployment relief, mothers' allowances, old age pensions, and matters of that kind, would it not?

MR. FITZALLEN: Yes, sir, it would.

Of the revenue which we obtain for these purposes, 90 per cent was obtained from the property taxes. This is a situation which has developed, in part, as a result of placing so much of this cost against real estate. This situation has developed in the 52 towns--we have not included villages in this calculation either, because of the difficulty in arriving at a figure--in the 52 towns, out of a total of 107,374 lots, 8,330 of those have become forfeited.

THE CHAIRMAN: How many of those vacant lots are in subdivisions extending out into the country?

MR. FITZALLEN: Some years ago, most of the towns, I think quite generally, had the subdivisions cancelled.

These subdivisions were quite largely cancelled and returned to agricultural lands.

THE CHAIRMAN: Of those which have become the property of the municipalitiey, what percentage would be unimproved and what percentage improved?

MR. FITZALLEN: I am not in a position to give that information for all of the municipalities. I can cite one particular town, however, which I think would be fairly representative of what has happened generally. In this town to which I am referring, there were 23,060 some odd lots in the town. There has been approximately 1,400 of those forfeited. There are some five hundred that are left of the forfeited properties which are taxable. There are 66 which have been improved, that is, which have buildings upon them, and there are 500 which are still taxable. Of that 500 there are some two or three hundred which are in arrears of taxes and are subject to tax enforcement proceedings. I think that same situation would be found in most of the towns and villages.

THE CHAIRMAN: Would you just give me some of those figures again. Out of 2,400 there are---

MR. FITZALLEN: There are 500 which are still taxable.

THE CHAIRMAN: Only 500 out of the 2,400 are still taxable, is that right?

MR. FITZALLEN: Yes, and of those which were forfeited, some 66 in this particular town, have buildings upon them. This is a town in a splendid agricultural district, splendid mixed farming district.

THE CHAIRMAN: If the tax collector were paid on a commission basis, he would not earn very much collecting taxes in that place.

MR. FITZALLEN: No, and I would not like to put him on that basis in that particular town. It is our contention

that the tenant, usually, does not pay the taxes. As a general rule, the rentals on property are not sufficient to pay insurance, maintenance, depreciation, and give the owner a return on his investment. Quite usually, the owner does not get a return on his investment. In many cases, there is nothing available from the property to pay taxes on the property, so it is quite obvious, that the tenant does not pay the taxes. We admit that under certain conditions, the tenant probably does pay the taxes, even in the towns, but in most instances, the tenant does not pay the taxes. In most cases, the rental is not sufficient to cover all the costs, including the taxes.

We submit, that the best method of taking care of these social services, is through the medium of the income tax. Probably it is not practicable for the larger cities to levy an income tax, and certainly, it would be altogether impractical for the smaller centres to do so. In levying such a tax, the municipalities would have no power to distribute that equitably at all.

THE CHAIRMAN: Which government do you think should impose this tax, the province or the dominion?

MR. FITZALLEN: It is our belief that the dominion should impose the tax. However, our recourse has always been to the province, and we feel that there should be one income tax levied throughout the country by the Dominion. The tax should be distributed to the province, and the province, in turn, should take over these burdens which the municipalities cannot handle.

At the conclusion of our brief, we refer to the Dominion responsibility for several items. I am not going to go into this matter at all, except insofar as it refers to immigration.

THE CHAIRMAN: On what page of your brief are these

representations made?

MR. FITZALLEN: I am referring to page seven of our brief. As far as we are aware, there are no figures available for unemployment generally as early as 1921, except those gathered by the unionized trades. The Canada Year Book indicates that 5.9 per cent of the unionized trades were unemployed in 1926. This percentage rose very rapidly in the succeeding years. In 1930, the percentage was 17 per cent, of skilled labour, unemployed; and in 1931, there was 21 per cent.

THE CHAIRMAN: What are the figures for 1928 and 1929, do you know?

MR. FITZALLEN: I have not those figures here, sir.

THE CHAIRMAN: You have not those figures here?

MR. FITZALLEN: No, I am sorry sir, I have not.

THE CHAIRMAN: You see, there is a certain amount of the mobility of labour involved. There is a certain number unemployed, obviously, even in good times. Take from 1926 to 1929, the peak of our prosperity, I imagine any unemployment in skilled labour at that time was due to the mobility of labour, moving from place to place and changing jobs. There was a demand for labour at that time, all over Canada.

MR. FITZALLEN: In this province, from 1926 on, between 1926 and 1931, there was a good deal of unemployment. I am not speaking of skilled labour, because it does not enter into the picture here. Certainly, so far as the towns were concerned, there was a good deal of unemployment in the unskilled labour class. The figure which has been given for 1931 as 21 per cent was for skilled labour. This simply indicates what we believe the general condition to be. The percentage of unskilled labour would be quite a bit higher than that figure. During

these years, from 1927 to 1929, when we were having a very considerable measure of prosperity, we could see trains passing through those towns loaded with men. These men were going from place to place because no one recognized them as having any claim upon them for anything.

THE CHAIRMAN: Was there not a diminished demand for employment on the farms in western Canada at that time, due to the improvement in the machinery?

MR. FITZALLEN: Yes, sir, that is quite true.

THE CHAIRMAN: You were using less labour than you had used in earlier years, and might that not have accounted, in a measure, for part of this unemployment?

MR. FITZALLEN: No doubt, it did, but there was a very heavy immigration into this province at that time of the unskilled type of labourer, not the trained farmer with capital, but the unskilled type. These men were being distributed all over the cities and towns of this province. During 1930, the arrivals in Canada were 163,200 some odd. This was one of the heaviest periods of immigration experienced in any period from 1881 to 1935. 1931 was the only year to exceed this during that period.

THE CHAIRMAN: What was the total in 1931?

MR. FITZALLEN: I do not have the figures for 1931, but 1931 exceeded 1930.

THE CHAIRMAN: Of course, I am only speaking from a general impression, but my impression would be that you must be in error as to that. There was a very heavy immigration into Canada during the years 1902, 1903, and on up to 1914. The immigration, in one year, rose nearly as high as 450,000 or 500,000. However, we can check the figures. I will be surprised if we find that the year

1931 was the highest in those five years.

MR. FITZALLEN: I took these figures from the tabulation in the Canada Year Book, and I took them carefully.

THE CHAIRMAN: You may be correct, then, but it surprises me very much.

MR. FITZALLEN: In that same year, 1931, and 1930--I got this from the same source--the Dominion spent on immigration $2,557,000. Unemployment was very general here at that time. This union sent delegates to the provincial government drawing attention to this, several times.

THE CHAIRMAN: You see, that was the year that the Bennett government was doing everything possible to get employment for Canadian workmen, that is the fall of 1930 and the year of 1931. It seems to me almost incredible that the government was bringing out a large number of immigrants at the same time.

MR. FITZALLEN: Immigration was cut very sharply about that time.

THE CHAIRMAN: I can understand why the cost might have continued because the government had branch offices in many sections of Europe. The government probably did not discharge the staffs in those offices at once. so the cost would continue. However, we can check the figures later.

MR. FITZALLEN: Our only reason for bringing this matter up was that we felt a lot of this trouble is a result of that. It is not our intention to criticise any federal government. All governments have made mistakes, but we do think that this policy of immigration, at that time, has caused a great deal of our trouble. We are simply bringing it up, to establish the point that the Dominion has some responsibility for this condition.

I do not want to take any more of your time, sir. Our union wishes to thank you very kindly for the courtesy which you have extended to it.

THE CHAIRMAN: We are very much obliged to you, and we are very glad to have your representations. The villages and towns of any province play a most important part in the life of the whole country. The position of these villages and towns is of significance and importance. Of course, you are part of a provincial organization, and your representation is not backed up, here at least, by the province.

MR. FITZALLEN: No, and we appreciate that fact.

THE CHAIRMAN: The brief will be marked as Exhibit number 241.

EXHIBIT NO. 241: Brief of the Union of Alberta Municipalities.

THE CHAIRMAN: The next brief to be presented is that of the Alberta Association of Municipal Districts.

Mr. Fitzallen, I have here the Canada Year Book. If you would care to look at it, I think you will see that you were in error in suggesting that the year 1931 is the sixth largest in immigration. Even taking the year 1930, there are 22 years, at least, which are higher than 1930, which is four or five times as much as 1931.

MR. FITZALLEN: Might I look at that, just to see how I came to make such an error?

THE CHAIRMAN: I have a general knowledge of immigration in Canada, and I thought your figures must be in error in that respect. We will now hear the representations to be made on behalf of the Alberta Association of Municipal Districts.

SUBMISSION BY

ALBERTA ASSOCIATION OF MUNICIPAL DISTRICTS

MR. BROWNLEE: My Lord and Gentlemen; Due to the unfortunate death of the solicitor for the Association of Rural Municipalities, I was asked if I would sit in while this brief was presented to-day. It is not my intention to present the brief. The brief will be presented by Mr. Farnalls, President of the Association.

I thought I might point out to you by way of introduction, before Mr. Farnalls speaks, that in this province as in the neighbouring province of Saskatchewan, the Association of Rural Municipalities is a very important organization. Of a total population in the province, 350,000, reside in what we call the organized district, that is where a rural municipality has been organized, another 103,000 reside in that part which is not organized and in which the government is carried on under the name of local improvement districts, the administration carried on by the provincial government. I believe you had the picture fairly well presented to you in Saskatchewan. I think that province has the dual form of administration in rural areas, part being organized in comparatively small districts, and part not being organized. The administration of these matters is carried on by the provincial government.

In this province, there are 158 of the organized districts and 240 of the unorganized districts. The men who are here represent the executive of the municipal organization.

Now, sir, we are only too well aware that there will probably be some repitition in this brief which is being

presented on behalf of these districts. Much of this has probably been presented, at least, in the provinces of Manitoba and Saskatchewan. Might I suggest to you, that the representations made to you by these men will probably be of considerable importance. So far as I can see on the list, there will only be two organizations, of which this is one, that are in a position to speak for the agricultural population of Alberta. The brief is very short and does not attempt to go into detail. The brief has been designed so that it might answer two purposes. First, that it might place before you the important and particular difficulties under which the agricultural population of this province labours. Secondly, that it might give you some picture of the municipal organization, as to how the municipalities stand financially and many of their problems of administration.

Might I just say this word further, I will not go to any great length as I do not want to trespass upon your time. This picture will be one of the brighter pictures which will be placed before you, at least, in one or two points. So far as bonded debt, capital debt, is concerned the municipal organizations of this province present a very bright picture. The total debt structure of the organized municipalities is only a little over $6,000, that is for the 158 municipalities. Now, I do not think there is any part of Canada in which a rural organization can present as bright a picture as that. Their problem, therefore, is not that of meeting capital expenditure. The organization which appears before you is better acquainted with the situation than any other, because it has been a guiding force in the administration of local government in this province. These municipalities are not worrying

about capital debt. When you come to estimate the total debt structure of Alberta, you will realize that it centres, in this province, almost entirely on the province. From the standpoint of making comparisons, this province is different from any other province. Few other provinces have their population distributed more widely than the population of Alberta is distributed. The problem of these districts is entirely that of meeting annual financing and trying to meet the burdens which have been thrust upon them within recent years. Mr. Pinchbeck will no doubt call your attention to that matter.

Now, I am not going to take up any more of your time, but I will introduce Mr. Farnalls who is president of the organization. Associated with him are the other members of the executive. I should particularly like to introduce Mr. Pinchbeck, who, for many years, has been associated with the organization. I think, he has been associated with it almost from its inception. He probably knows more about municipal organization than any other man. The other members of the executive who are here, are, Mr. Bright, vice-president, Mr. Pinchbeck, and Mr. Clark, who has just gone out.

MR. FARNALLS: Mr. Chairman and Commissioners: Due to the fact that I am suffering from rather a bad cold, I will not attempt with your permission, to read our brief. however, I will note in a very general way, some of the chief points in it.

First, I wish to express on behalf of the districts our appreciation of the opportunity afforded to us to present our views. I am now in the rather embarrassing position of having forgotten everything I intended to say.

THE CHAIRMAN: That is quite all right, I have been in the same position myself.

MR. FARNALLS: Most of my life has been lived out in the country, and when I come into the city I am engaged a great deal of the time, in looking up at the very high buildings, so that I sometimes stumble.

We realize that the purpose of the Commission is to study Dominion-provincial relations, as well as the fact that we derive our authority from the provincial government. Therefore, it is quite a privilege to appear before you.

Most of the difficulties with which we are faced, are, no doubt, due we knesses in the Act from which we derive our power. To suggest remedies for these weaknesses, to amend that Act and keep us in touch with constantly changing conditions, is one of the chief purposes of our organization. Due to the fact that many of the problems with which we are called upon to deal, and the disabilities under which we labour are more than local, both in their origin and in their affect, we feel that in any attempt to provide for a more equitable distribution of government--I presume that is the real purpose for this study--that the position of the local government units must be taken into consideration.

This province was settled some thirty years ago by people who came here, under their own steam, as it were. They brought with them ambition and self-reliance, in many instances, very little else. The first purpose of local government was to act as a means whereby the governments could cooperate with one another in providing for public services such as schools and roads.. To-day, many of our people believe that it is the duty of the government to provide them with food, clothing, and shelter. They believe the government should provide also, land and fodder for their livestock as well as gas for their tractors.

THE CHAIRMAN: Does your association believe that, too?

MR. FARNALLS: I am coming to that, sir. This condition, no doubt, has been brought about to a considerable extent because of the difficulties with which people have been faced during the past several years. I would not, for a moment, belittle the difficulties with which our people are faced. There can be no more disheartening experience for a man than to see his best efforts, the best part of his life melting away, in spite of everything he does. This is the position in which a large number of our farming population finds itself in this province. It is due to causes over which, for the most part, they have no control. If governments are to assume these responsibilities, it is very evident it will have a very profound effect, not only upon the nature of the government but upon society itself. One of the things which must be carefully kept in mind in any consideration of this problem is the fact that for every additional service assumed by the government, the taxpayer must assume an additional burden. I do not know whether it is the purpose of this commission to consider the propriety of government's accepting this responsibility. In any case, I do not intend to dwell upon it, but in passing, I would like to make one or two observations. They should probably be termed as more or less personal in their nature, but they are the result of experience in administration and in the observation of many years.

I am firmly convinced that there can be no more demoralizing experience than for a man to receive something for nothing, to get something out of the public treasury without making adequate return. Paternalism in government can never result in the raising of the people to a higher level, but will result in reducing all to the level of the

lowest. It is the firm conviction of our association that when the government can say to an ablebodied individual, "Here is an opportunity which will enable you, by diligence and industry, to provide the necessities of life for yourself and those dependent upon you, then the government has discharged its full responsibility, insofar as the support of that individual is concerned.

THE CHAIRMAN: It is now one o'clock, so we will hear you further at 2.30.

AFTERNOON SESSION

--- The Commission resumed at 2:30 P.M.

THE CHAIRMAN: Mr. Farnalls, will you continue, please?

MR.FARNALLS: Mr.Chairman, and Commissieners, at the time of the adjournment I was about to make some reference to the Division of responsibility with regard to road building as between the Municipal Districts and the province.

THE CHAIRMAN: I think you had reached the conclusion that you agreed with the authority "If a man work not neither shall he eat". That was the effect, I take it, of your submission.

MR.FARNALLS: In view of the fact that the province has now definitely decided not to present their views I do not know that the observations I have made will be quite relevant, but I wish to make a point in connection with it. The Municipal Districts of the province are responsible for the building and maintenance of some 75,000 miles of roadway. The province assumes the responsibility for the building and maintenance of some 3,180 miles of main and market highways. We are not objecting to a tax upon land for the construction of roads, because roads do add to the value and utility of land, and we consider that roads are a just charge against lands. But in view of the fact that the province collects the gasoline tax and the motor licence tax, taxes which are properly applicable only to the construction of roads, we feel that we should have some assurance that there is an equitable distribution of the burden. The province does assist the municipalities in this work, to some extent, by in some cases,grants, and the building of bridges, but we do protest quite emphatically against the imposition of what is known as the "Social Service"

tax. We feel that the justification for any tax must be found in a service rendered to the particular group or class making the contribution, and that to single out owners of property and saddle them with a tax of value to society as a whole is neither fair nor just.

THE CHAIRMAN: What classes of service do you include under the head of Social Service Tax?

MR.FARNALLS: Well, the social service Tax in this province is collected by the municipality. It amounts to three mills on the valuation. It is the old Supplementary Revenue Tax.

THE CHAIRMAN: It is a provincial tax?

MR.FARNALLS: It is a provincial tax, collected by the municipalities.

THE CHAIRMAN: And that is what you object to?

MR.FARNALLS: That is what we refer to. From its name, we infer that it is for the purpose of providing social service.

THE CHAIRMAN: Mr.Farnalls, is that not purely a problem between your organization and the provincial government?

MR.FARNALLS: I remarked upon that when I started. The point I wish to bring out is that we do not object to any proper tax, such as a tax upon land for road building purposes, but we wish to object to that.

THE CHAIRMAN: It might be that your representation would have as much weight with the Government as ours.

MR.FARNALLS: I realize that fact also, sir. For a considerable number of years the municipalities have been faced with ever-increasing demands for service, and at the same time a decrease in the ability of the taxpayer to pay. Climatic conditions have no doubt been responsible, in a very large measure, for the

difficulties of the taxpayers, but it now seems evident that other factors are at work, which were not so evident in more prosperous times; factors which eventually would have had to have been recognized even in normal conditions. For instance, the effect of interest rates, protected tariff, and freight rates. I do not think that anyone will question the fact but that the farmers of Western Canada have been trying from the very first to pay more for the use of capital than the industry in which they were engaged would bear. This is perhaps not very evident at first glance, because to undertake to pay eight cents for the use of a dollar for one year does not seem to be a very great undertaking, or eighty-eight dollars for the use of a thousand dollars for a year. But when you consider the fact that interest is cumulative in its effect, that when I take out a handkerchief to wipe my brow that besides the man who raised the cotton used in that hankerchief was paying interest on the land upon which it was raised, and on the mule that helped him plow, and that it played a part in the cost, and that I am trying to pay interest, at any rate, on the handkerchief after I have purchased it, it seems quite evident to us that it makes up a very large part of the cost.

Now, we are not for a moment suggesting that interest is not a proper charge against capital. To us it seems to be quite as proper a charge as labour itself. But the rate which we pay must be fair and equitable. No doubt, in the first instance, the high rate we are required to pay is due, in a very large measure, to the uncertainty of investment in a new country. We sought protection from our creditors when we realized the condition we were in; we asked for obstacles to be placed in the way of recovering their debt. The natural, inevitable result of that

must be higher interest rates. Now, what is the remedy? Mind you, I do not have implicit faith in laws to deal with natural economic matters, but if any contract calling for an excessive amount of interest, in an amount say in excess of five or six per cent, had been un-enforcable, I think we would be in a vastly better position today. No doubt it would have greatly restricted our borrowing powers, but it would have made it necessary for the man making the loan to assume a greater responsibility to determine the ability of the borrower to pay, and if you look at the position which the majority of our people are in today, I think it raises the question in one's mind as to the value of our borrowing powers, and the conditions under which they have been exercised.

THE CHAIRMAN: I do not suppose, and my guess would be, that none of the mortgage loaning companies have made any money on their investments in Western Canada. I would think that they would have all been better if they had not made any loans here, having regard to the losses they have sustained. I do not know, but that would be my impression.

MR.FARNALLS: That is our feeling in the matter, and it appeals to us that all of our debt adjustment machinery which we have now would be unnecessary under such circumstances; and that both the borrower and the lender would be in a better position. I am making this merely as a suggestion.

THE CHAIRMAN: That is a suggestion as to what might have been if some different course had been pursued. What is your suggestion about the future, having regard to existing conditions? Have you any suggestions as to that?

MR.FARNALLS: Mr.Chairman, I realize the extreme

difficulty of any adjustment of debts. The reactions of anything of this sort are not apparent, they are pretty much beyond the wisdom of the average man, at any rate, to anticipate what they may be. The first reaction of the average man to any reduction of debt is when he begins to realize the effect. For instance, when a man who is paying a premium on his life insurance begins to realize that because of the losses the insurance companies have had to sustain through reduction of debt they will be unable to carry out the contract which they have with him in connection with his life insurance, then the effects on the minds of the people will become apparent.

THE CHAIRMAN: Would you agree with the statement made to us yesterday by the Edmonton Chamber of Commerce, that if the Farmers' Creditors Arrangement Act were amended, in accordance with the amendments before the House, so as to provide additional boards of review and clarify the procedure, that it would help the situation?

MR.FARNALLS: I, of course, must answer questions of this sort by my personal opinion, and in considering the matter as far as I have been able to, I think that any blanket form of debt reduction must have a great many objectionable features, and the suggestion of the Chamber of Commerce is one that perhaps lacks originality, but it is the only suggestion which I have been able to conceive myself.

In connection with the two other matters which I mentioned, freight rates and the effects of the tariffs, it seems to us at least that they are very closely connected. The fact was referred to yesterday by the Chamber of Commerce, I believe, that Alberta stood at the very peak of the freight rate structure of Canada. It seems to us that the reason for that is Alberta is deprived of her natural and nearby markets by the effect

of the protected tariff.

THE CHAIRMAN: Well, by the effect of the American Tariff.

MR.FARNALLS: Perhaps that is correct, but the two tariffs seem to --

THE CHAIRMAN: There was a proposal many years ago for a reciprocal agreement on agriculture, but the country decided against it. At the present time, as you know, the general tendency in the United States has been to shut out products of all countries as much as possible. That is in accordance with your recollection of the situation, is it not, Mr.Farnalls?

MR.FARNALLS: Yes sir. I am not trying to place the blame in any place, I am simply pointing to the facts.

THE CHAIRMAN: It is a fact, of course, what you say. You have to go a long distance to secure a market for your products.

MR.FARNALLS: Yes, and my point is that it has a very decided bearing on our ability to render service to our people. In that connection, perhaps, it might be proper to refer to an experience. We were honored, a number of years ago, by having the then prime minister of Canada, The Honorable Mr.Bennett, attend one of our conferences. He addressed the delegates at some little length, and I was very much impressed by a certain remark which he made. I cannot quote his exact words, but it was to the effect that prosperity would never return to the world generally until the artificial barriers raised against trade were removed.

THE CHAIRMAN: Well, I think there is great truth in that statement, if I am supposed to have any opinion at all. I suppose, as a judge, I should not have any opinion on it.

MR.FARNALLS: In connection with the tariff, it seems to us that Western Canada is an agricultural country, governed by laws designed to protect the industrialists of the East. If any particular class receives the protection it must be paid for by some other class. If the tariff is of any benefit to the industrialists of the East, we feel that they should be quite willing to share that benefit on an equal basis with their fellow citizens, the agriculturists of the West. I merely make that observation.

THE CHAIRMAN: How would you work it out, Mr.Farnalls?

MR.FARNALLS: That, I presume, is one of the problems of the senior government, which is quite beyond any one of my rather limited capacities. I believe that attempts are being made at the present time to do it by what is known as "subsidies".

Municipal men in Alberta, as I said before, realize that the service they are able to render to the people are strictly limited by the ability of the taxpayer to pay. They are not looking for any magic source of supply, all they are asking for is an equitable distribution of the burdens and of the resources. Assured of this, they are quite prepared to cut the coat according to the cloth.

There are one or two other things that I wish to refer to, of a little different nature. The question of the taxation of Crown Land has been of considerable concern in the past to the members of our organization. You are no doubt familiar with the history of the Soldiers' Settlement Board. The position was that through the failure of the plan to work as had been anticipated, large amounts of land reverted to the Crown and became untaxable. You can realize the difficulties

with which the municipal district would be faced, where a considerable amount of such land was within the borders of a municipality, and that in any case for every parcel that was withdrawn from taxation the remaining parcels had to assume a greater burden. Through the efforts partly of the municipal district and their organizations in the three Western provinces, an amendment was made to the Soldiers' Settlement Act, making the director of Settlement what is known as a Corporation sole... capable of being sued, putting the land on the same basis as any other lands. This was done in 1934, I believe, and we felt that our difficulties were at an end. Now, we understand that the law officers of the Crown are questioning the validity of this, and it appears there is a chance we may soon find ourselves in the position we were in previously.

Then there is also the matter of the lands reverting to the Farm Loan Board, through the foreclosure of mortgages. While the Soldiers' Settlement land problem is quite limited, the Farm Loan Board question could possibly develop to a far greater extent.

THE CHAIRMAN: Is that the provincial or the Dominion Farm Board?

MR.FARNALLS: The Dominion Farm Board I am referring to at the present time. There is also the question of lands acquired in connection with the activities of the P.F.R.A. - the Prairie Farmers Rehabilitation Act. The Federal government requires that the title to lands included in pasture production must be transferred to the Crown. These lands are perhaps in a little different position from the others; the reason for this being that they are considered to be lands not adapted to farming practice, and one of the purposes

being to withdraw them permanently from private ownership. I presume that the Federal Government can be considered the most stable institution in which the title can be vested, but in view of the fact that the Government of the day which threw these lands open for settlement was almost as well aware of the unsuitability of that country for that type of settlement, would raise some doubts as to the wisdom of this procedure.

We do feel that in any case some provision should be made for these lands to make a contribution to the services of the community in which they lie. To make myself clearer , perhaps, it is proposed to set aside these pastures, and any person living within a certain radius would be entitled to have a certain amount of stock in that pasture, at actual cost. Well, a man residing in a school district which would be partly within the boundary of this area would be at a distinct advantage over his neighbor who resided in the same school district, but just outside the area.

THE CHAIRMAN: Of course, he could pasture without pay, or at cost, whereas his neighbor could not?

MR.FARNALLS: Yes.

THE CHAIRMAN: You think the cost should include some municipal taxation?

MR.FARNALLS: Well,possibly, or some means of requiring these lands to make a contribution to the service of the community.

THE CHAIRMAN: Is there a large area in Alberta being brought under the Rehabilitation Scheme?

MR.BROWNLEE: About eight million acres.

THE CHAIRMAN: Mostly in the south-east?

MR.FARNALLS: Yes, in the south-east corner. It is about eight million acres all told, and it is in the south-

east part of the province, adjoining Saskatchewan.

Just at the present time the number of pastures to which I have referred, - I do not think there are many of them in this province, if any, owing to a lack of a definite understanding between the two governments, but it is, I believe, the intention to extend that.

In connection with the whole matter of the taxation of Crown Lands we have considered, - and I make it by way of suggestion, - a practice which we understand is followed in the Old Country, that of dividing crown lands into two classes, public Crown lands, and commercial Crown lands; the idea being that the commercial Crown lands are treated in exactly the same way as any privately owned lands.

There is another matter, in connection with the halfbreeds in the country. Naturally, in the settlement of a new country there is a certain amount of inter-marrying between the two races, and the Indian feels that he got a little of the bad end of the deal. When you consider the condition and nature of the half breeds, the conditions under which they are living, there is evidently some little justice in their contention. He does not seem to be generally adapted to the mode of living of the white man.

THE CHAIRMAN: Are these half breeds you refer to on individual farms?

MR.FARNALLS: Yes, they are attempting to live on the same basis as their neighbors in the municipalities. They are proving a decided burden upon a good many municipalities, principally for medical services, and indigent relief. We would like to suggest that the Federal Government give the matter consideration, perhaps somewhat along the lines of their treatment of the Indians; perhaps make provision for them to be established in areas better suited to their mode of living.

THE CHAIRMAN: In what areas are they established in this province?

MR.FARNALLS: Well, they are pretty generally scattered throughout the province; I believe especially in the north-western part of the province. A short distance west of the city of Edmonton there are quite a number of them. I assume this condition would be more prevalent adjoining Indian reservations, - in districts adjoining reservations.

COMMISSIONER SIROIS: Is there number increasing?

MR.FARNALLS: I could not say as to that.

MR.BROWNLEE : Yes, there is an increase in their population, sir.

MR.FARNALLS: Now, Mr.Chairman, I want to again express the appreciation of our members, and my own personal appreciation, of the kindly way in which you have listened to my somewhat halting remarks.

THE CHAIRMAN: Thank you, Mr.Farnalls. There are one or two questions on which you could perhaps help us, which are of interest. May I ask what part of the Province do you live in?

MR.FARNALLS: I live in what I presume is commonly called the central part of the province, - the central settled part of the province, adjacent to the town of Stettler .

THE CHAIRMAN: Do the organized municipalities extend into the Peace River District, or is that all unorganized?

MR.FARNALLS: The organized municipalities?

THE CHAIRMAN: Yes, your organization. Have you municipalities in the Peace River Country?

MR.FARNALLS: Yes.

THE CHAIRMAN: You have them right from the boundary

up to the Peace River?

MR.FARNALLS: Yes, they are pretty generally scattered all over the province. There are considerable areas which were at one time organized into munidpal districts, which have since been disorganized owing principally to climatic conditions. There are other districts which perhaps owing to the burdens which they have to bear, are considering seeking to be disorganized. We view it with some considerable concern. Possibly it is due to the nature of our organization; maybe that should be revised, providing for a different set-up. That has been considered from time to time. There are a great many other factors which must be taken into consideration, but due to the conditions existing it seems that there is the quite definite question as to the suitability of the present set-up, to the conditions existing in the province, and we look at the development with a certain amount of alarm, because we do feel that the local governing unit is the foundation of democracy, or our greater security, at any rate.

THE CHAIRMAN: Mr.Farnalls, while you say that there is a tendency in some places to disband the municipal organization, does that grow out of a shifting of population or does it grow out of the municipal burdens of taxation?

MR.FARNALLS: While in the area where it is taking place to the greatest extent is in the drought area, it is due to both of these causes; principally, I think, to the shifting of population.

THE CHAIRMAN: One can understand that, that a shift of population may create a condition where the community is not strong enough to support an independent municipal organization. Taking the districts outside the

drought area, is there much good land suitable for cultivation which is not under cultivation?

MR.FARNALLS: I believe not.

THE CHAIRMAN: Well then, in your organized districts the land suitable for cultivation is now under cultivation, generally speaking?

MR.FARNALLS: Generally speaking, yes.

THE CHAIRMAN: I suppose the price of farm products from 1931 to 1936 has been one of the prime factors in the difficulties of the agricultural population?

MR.FARNALLS: Without a doubt it is.

THE CHAIRMAN: Then you suffered in the n rthern part with frost and hail once or twice?

MR.FARNALLS: Yes. As far as municipal liabilities are concerned I do not know whether that could be taken as a true indication, but the people in what we would assume to be the more prosperous portion of the province, the parts where they have been getting fairly satisfactory crops during those years, appear to be in rather serious financial difficulties, in many instances, no doubt due to the effects of price, The position of the municipal district, of course, has been made vastly more difficult by the increasing demands.

THE CHAIRMAN: We were very interested in what Mr.Brownlee told us, that generally speaking, the rural municipalities in this province have kept out of debt, and you have paid your way, - that is, you have paid your current expenses.

MR. FARNALLS: Mr.Brownlee referred to capital debt. Our capital debt at no time, speaking from memory, exceeded $20,000, and it has been paid off, with interest, according to the terms of the contract, I believe, with the exception of some $6000. I am not just familiar with

that situation, but the situation we have to face in connection with finance, - at least it is the sore point with municipal men, - is the fact that there is a very decided increase in the tax; somewhere in the neighborhood, I believe, of $18,000,000 or $19,000,000.

THE CHAIRMAN: Just so that we will understand it clearly, you have however collected enough revenue during these years to pay your actual municipal expenses, or have you carried a floating debt?

MR.FARNALLS: Mr.Brownlee tells me there is a total floating debt of less than a million dollars.

COMMISSIONER MACKAY: Mr.Farnalls, has the municipal districts any power to borrow? Has the province any control over your borrowing powers? Do you have to get the consent of the Province before you borrow money?

MR.FARNALLS: You mean on capital debt?

COMMISSIONER MACKAY: Yes?

MR.FARNALLS: The consent of the Public Utilities Board must be obtained.

COMMISSIONER MACKAY: But not for ordinary current borrowing?

MR.FARNALLS: Not for ordinary current borrowings, no. When we float a current loan we hypothecate the taxes as security for the payment of that loan.

COMMISSIONER MACKAY: Who manages your sinking fund? The municipal district concerned, or the province?

MR.FARNALLS: The municipal district concerned. I am not very familiar with it.

COMMISSIONER MACKAY: May the Utility Board take over a municipality?

MR.BROWNLEE: Yes, and usually that is done on the basis of the application of either the municipality itself or the provincial government, or certain of the bondholders.

There have been a few municipalities in this province that have been under the Board, - not many.

(Page 6217 follows)

COMMISSIONER MacKAY: What about the school districts? The school districts have no relation to you, have they?

MR. FARNALLS: The relationship between the municipal district and the school district is very similar to that outlined to you this morning by the representative of the cities. We are identically in the same position.

COMMISSIONER MacKAY: You collect the revenue?

MR. FARNALLS: We collect their revenue and turn it over to them quarterly.

COMMISSIONER MacKAY: But they borrow independently of you, do they?

MR. FARNALLS: They have no borrowing powers. They have nothing to pledge except what they may realize on requisition, but I would not consider that that was effective borrowing to effect that. The municipality is empowered to pledge the taxes for borrowing purposes at 100%, I believe.

MR. BROWNLEE: That is only where the municipality is the collecting agency.

MR. FARNALLS: I think the municipality is generally the collecting agency but certain exceptions have been made, While the village districts are permitted to levy and collect, that is the rural population, are permitted to levy and collect their own taxes, turning over to the municipality the resonsibility for collecting any arrears which they fail to collect, in order to include these lands in the operation of the Tax Recovery Act, this privilege has been extended to a limited number of school districts, the power to levy and collect their own current taxes under some of the provisions of the Village Act.

COMMISSIONER MacKAY: Supposing the school district wants to build a school and needs to borrow money to do it; how do they do it?

MR. FARNALLS: They pledge their own debentures.

MR. BROWNLEE: Under the direction of the department. The department of education has a special branch that supervisss all borrowings for that purpose.

THE CHAIRMAN: Have you any questions, Mr. Stewart?

MR. STEWART: No, my Lord.

THE CHAIRMAN: Then this brief will be marked as Exhibit 242.

EXHIBIT NO. 242: Brief of Alberta Association of Municipal Districts.

COMMISSIONER MacKAY: One question which I omitted to ask: Have you any system of municipal doctors such as they have in Saskatchewan?

MR. FARNALLS: We have power to enter into contracts with doctors. I do not think it has been very extensively exercised, not to anything near the degree that it has been in Saskatchewan.

COMMISSIONER MacKAY: The same would hold true about hospitalization; have you municipal hospitals?

MR. FARNALLS: We have a system of municipal hospitals. The municipality is in somewhat the same relation to the hospital as it is to the schools. They collect on requisition and turn over to the hospitals the amount of their requisition.

THE CHAIRMAN: We thank you, Mr. Brownlee and Mr. Farnalls, for the presentation of this very interesting submission affecting the rural municipalities in this province. The brief will receive our most careful consideration.

MR. FARNALLS: Thank you, my Lord.

THE CHAIRMAN: The next brief is that of the Alberta Youth Congress and will be presented by Miss Margaret Archibald, Bill Thornton, Miss Margaret Crang, Gilbert Wright

and William Ripka. Miss Archibald, are you presenting the brief?

MISS MARGARET ARCHIBALD, representing the Alberta Youth Congress, was called:

My Lord Chief Justice Rowell and Gentlemen of the Commission:

At the outset, I wish to express my thanks for your amending your programme, as I believe you have, in order that we may be heard at this time.

I should also like to ask for the privilege of reading our brief. It is considerably shorter than some you have heard and I believe it would be saving your time and ours if I might be allowed to read it.

THE CHAIRMAN: Very well.

MISS ARCHIBALD: "The Alberta Youth Congress movement sincerely appreciates this opportunity of presenting its views to the Royal Commission on Dominion -Provincial Relations.

The Alberta Youth Congress is a growing movement of young people of Alberta. At its first provincial Congress held in Calgary in November, 1937, it brought together 134 delegates from 24 different provincial and local organizations, for the purpose of discussing common problems and working out ways and means of taking co-ordinated action thereon.

At this congress were representatives of such youth organizations as the Young Liberals, Young Conservatives, YWCA, Junior United Farmers of Alberta, United Church Young Peoples' Societies, Young Communist League, Co-operative Commonwealth Youth Movement, Baptist Young People, and many others. The Alberta Youth Congress therefore represents a very large section of Alberta youth.

The statements within this brief have been endorsed

"by representatives of the affiliated organizations within the Alberta Youth Congress, but cannot be held binding on any organization. This is the official brief of the executive of the Alberta Youth Congress."

Just there I might add that we have not had the opportunity of having the endorsation of every organization on this brief and so we can only say that it is the brief of the executive.

" Due to the fact that many long and detailed briefs have already been submitted, we feel that to restate some points would be superfluous, and content ourselves with a few main questions.

We wholeheartedly agree with the brief submitted by the Greater Winnipeg Youth Council, in principle, especially on the need for defining federal responsibility, the questions of minimum wages, hours of labor, and conditions of work."

THE CHAIRMAN: You say: "defining federal responsibility". Do you mean by that, these should be federal responsibilities?

MISS ARCHIBALD: No, not that particularly should be federal responsibilities but that we know whether they are federal or provincial responsibilities.

THE CHAIRMAN: Thank you.

MISS ARCHIBALD: Under trade unions and employment conditions:

" The Alberta Youth Congressheartily endorsed Alberta's Bill 49, (March, 1937), that is 'Freedom of trade union association act' as a charter, allowing collective bargaining. We realize, however, that some provinces have not a similar bill, and this creates unfair competition for both employers and employees, in comparison with other provinces.

A federal minimum wage law, and also a bill

"governing conditions and hours of work, would eliminate such competition between the provinces, would assist young people in obtaining work, and would also ensure better remuneration for their work.

In order to directly apportion the responsibilities for social and labor legislation, we feel that the respective rights of the provincial and the federal governments should be clarified by constitutional reform, to eliminate the stalemate which now arises as the result of unclarity in this connection. For example, wages, hours of work, unemployment insurance, debt reduction, and other matters are still subjects for legislative disputes rather than for action, because of the ambiguity of our constitution."

THE CHAIRMAN: There again, Miss Archibald, just to illustrate, wages, hours of work and unemployment insurance have been held by the recent decision of the Privy Council to be within the exclusive competence of the province, unless there is an amendment to the constitution. Has your council in mind simply to know what it is settled, or have you in mind any possible change in the constitutional powers?

MISS ARCHIBALD: These things that are mentioned here, wages, hours of work and unemployment insurance, I think should be federal responsibilities, and speaking for the congress, I think they should be federal responsibilities.

THE CHAIRMAN: I just wanted to get clear what you had in mind.

COMMISSIONER ANGUS: In some provinces it has been suggested that the Dominion government should be able to fix the maximum hours of work but that any province, if it chooses, should be able to fix a shorter working day for its workers. Also that the Dominion should be able to fix

the minimum wage scale but any province that thinks the conditions within that province, are better than in other provinces, should be able to fix a higher wage scale.

MISS ARCHIBALD: Would not that immediately revert back to unfair competition between different provinces?

COMMISSIONER ANGUS: There would be unequal competition but it would mean this: that as far as equality was possible in regard to a minimum to be fixed for everybody, the Dominion would fix that, but if any province felt that without suffering from competition very much, it could, in the interests of the working people of that province, fix a higher minimum, it would still be free to do it.

MISS ARCHIBALD: Is that as the law stands now?

COMMISSIONER ANGUS: It has been suggested that that is the way it should be, that it would be better to have some sort of concurrent jurisdiction rather than give all the jurisdiction to the federal government or, as at present, all to the province.

MISS ARCHIBALD: I would judge there would have to be consideration given to localities, based on a local administration, but that the responsibility should be that of the federal government.

"EDUCATION

Recognizing that capacity to function intelligently as individual citizens is the basis of a healthy democratic country, we consider that education must be a national responsibility, that is that the national government must be ultimately responsible for seeing that no Canadian citizen is deprived of equal educational facilities, because of poverty within any particular area. In this respect we endorse briefs previously submitted; mainly those of Greater Winnipeg Youth Council and of Vancouver.

" The enlarged school districts that have been started in Alberta have shown the need and possibility of increasing the educational facilities of rural youth. Almost the only reason why this scheme is not more extensive is because of the increased cost of establishing these facilities. As a national scheme with national financial support, the standard of education in the rural areas would be raised with benefits to the youth and to the nation."

Our main point there is simply that we believe it is in the interests of the Dominion as a whole that there not be a great many individuals who have not the opportunities of receiving education.

THE CHAIRMAN: Of course I think you recognize, Miss Archibald, the difficulty in sparsely settled districts of providing the same educational opportunities as are provided in cities and towns, where they have both the public school, the high school and, in the capital city, the university.

MISS ARCHIBALD: Of course we feel that the rural areas are suffering greatly from this, whether it is the fault of the system of education or the wrong distribution of educational funds, but there is a definite lack of educational facilities in rural areas.

THE CHAIRMAN: Thank you.

MISS ARCHIBALD: The enlarged school districts scheme that has been started in Alberta we feel has possibilities, but again it is balked by the additional cost that it presents.

COMMISSIONER DAFOE: Are there many of these enlarged school districts?

MISS ARCHIBALD: I understand there are eleven. I

stand correction on that, I am not positive.

COMMISSIONER MacKAY: Do they provide not only elementary education, but secondary, that is, high school education as well?

MISS ARCHIBALD: Yes, I understand they do.

MR. OTTEWELL: There are 22 such districts.

MISS ARCHIBALD: "TRAINING AND EMPLOYMENT

It is clear that if we young people are to serve our country for the next thirty or forty years, we must not lose our technical ability and the ability to contribute to, and share in the wealth of Canada.

The Youth Rehabilitation Scheme has shown, in a small way, the tremendous possibilities of assistance, direction, and opportunities that the government can give young people. While the Dominion and Provincial governments are to be complimented on this work, at the same time, this could be extended and enlarged to take in other projects also."

This rehabilitation scheme came about through the efforts of young people in their demands in their congresses at Ottawa and Montreal and the Dominion government granted to us a million dollars for youth rehabilitation. We had $160,000 in Alberta to spend and we feel that a great many good things were done with this money and we are again making demands for an additional grant for another year.

" The work of the Provincial Government in British Columbia, with their Physical Recreation Program," which you probably heard about as you heard briefs from British Columbia,

"..should be taken up as a national responsibility. The benefit in physical, mental and moral wellbeing of Canada's young people would more than repay any

"expenditures made in this direction.

The question of rehabilitation of the rural youth could also be appraoched from an economic point of view. Due to natural and economic causes, young farmers have not the resources with which to start farming. If Alberta and the other western provinces are to increase their agricultural output, it will be necessary to rehabilitate young people who have the desire, the aptitude and the ability to farm. With its responsibilities in social services, and other government duties, the provincial government is not able to deal adequately with this question."

Again we feel that the farming industry is important enough to be dealt with on a national scale.

THE CHAIRMAN: Of course you recognize that it does not follow because a matter is important under our constitution, that it necessarily falls under the Dominion. There are some of the most important matters under our constitution, affecting the lives and wellbeing of people that fall under the jurisdiction of the province. I am not urging that in answer to what you state here, but just because it happens to be important it does not necessarily fall under the Dominion jurisdiction.

MISS ARCHIBALD: Yes, I understand your point but I probably said the wrong word. What I meant was that it is of the type of industry that should be dealt with on a national scale.

THE CHAIRMAN: Under our constitution agriculture falls under both the Dominion and the province, each legislate and operate within that field. Unfortunately we are not in possession of the information of what is being done in this province, but that is the general situation throughout the country.

MISS ARCHIBALD: Yes, the department of agriculture is both federal and provincial of course, but in this particular paragraph we are asking that in the scheme for the rehabilitation of farm youth, we feel it can be accomplished to better ends if it were done on a national scale and with an economic point of view.

THE CHAIRMAN: Thank you.

MISS ARCHIBALD: "We urge therefore that the responsibilities of the two governments be definitely assigned to one or the other of the governments..."

That is returning again to your point, Mr. Chairman, that departments are divided, and we ask that the responsibilities of one or the other be definitely defined.

"...in order that one of them..."

preferably the national government,

"...could begin to systematically carry out some form of economic rehabilitation of farm youth, for instance, long term, low interest loans."

THE CHAIRMAN: If you have thought it out and discussed it, would you mind telling us what you have in mind? You speak of the rehabilitation of farm youth. Is that the case of a young farmer who wishes to leave his father's home and set up a farm, for example?

MISS ARCHIBALD: Yes.

THE CHAIRMAN: And the question is enabling him to acquire a farm and establish himself in that way?

MISS ARCHIBALD: Yes, that is our point. As things are to-day it is almost an impossibility for a young man to establish himself farming without immediately loading himself with debt, and we do believe that some scheme of long term, low interest loan could be arranged for him as he is beginning to start his operations in farming.

In our first Alberta congress that I referred to before, held in Calgary, this was discussed at great length, and that particular item was one of the findings of the Alberta Youth Congress, one of the recommendations that they brought forth.

THE CHAIRMAN: Thank you.

MISS ARCHIBALD: " In this connection a Department of Youth Welfare or of Youth Administration, attached to the Department of Labor, could be set up federally with provincial administration units, to take up such question as technical training for youth, finding employment for unemployed youth and for the youth leaving our educational institutions, and investigation of projects where youth could be employed --- such as rehabilitation of the drouth areas, developing of the natural resources, federal housing schemes, development of highways, development of recreation centres, and similar projects."

This I wish to stress, in that we wanted it to be our main point in this brief, that a department, perhaps in connection with one of the existing deparments in the national government be set up to concentrate on youths' problems. Some department to which young people may appeal for assistance in all these different lines, and a department that may go after these problems of ours and allow us to assist ourselves in overcoming some of these difficulties.

" We feel such a youth department should be a permanent feature of youth rehabilitation."

THE CHAIRMAN: Is it the view that the present departments of government or the officers in charge are not sufficiently in touch with the young life of Canada to deal sympathetically with these problems? Was that the view that underlies the submission?

MISS ARCHIBALD: I don't feel that I can conscientiously say that they are not sympathetic but I think it is something that should be set apart from other departments.

THE CHAIRMAN: The youth so soon passes into the man and the woman. Where do you draw the line between a youth and a man and a womam?

MISS ARCHIBALD: Of course that depends upon the individual, but there is always another generation coming on.

THE CHAIRMAN: Quite true.

MISS ARCHIBLAD: Immediately behind them. We can never say that there shall not be any youth.

THE CHAIRMAN: No, that is the hope of the country.

MISS ARCHIBALD: " Although any one of the above mentioned problems could be discussed more fully, in our opinion the drouth question can serve as an excellent example, in that it shows a vital national need and responsibility. It also shows the tremendous possibilities of finding gainful employment for youth, developing the technical abilities of young people and as a result reclaiming these areas."

I think there is an important point, in that they be given gainful employment. There are many instances of employment through which young people do not feel as though they are being of much assistance to the state, and in concentrating, for instance, on the rehabilitation of the drouth areas we feel that they could be doing gainful work by helping their country and rehabilitate themselves at the same time.

THE CHAIRMAN: What class of person is being employed in that rehabilitation work?

MISS ARCHIBALD: Do you mean the farm rehabilitation scheme or the youth rehabilitation scheme?

THE CHAIRMAN: The drouth area. You suggest the rehabilitation work has already been commenced, as I understand it, in the drouth area.

MISS ARCHIBALD: No, I was not referring to that. I was referring to the youth rehabilitation scheme. There are two separate schemes. Mr. Farnalls would have been able to tell you who is being employed in the farm rehabilitation scheme. I am not prepared to do so.

THE CHAIRMAN: You are speaking of a youth rehabilitation scheme in connection with the drouth area as part of the uses to which this fund for youth training would be devoted.

MISS ARCHIBALD: No, the youth training money is given out as a fund for youth rehabilitation and it is spent on technical schools and reconditioning stenographers, and young people who have become rusty at their jobs and making them more employable. The farm youth rehabilitation scheme is separate. I do not know what has been allotted for that but we are asking that young people be allowed to get jobs on that farm rehabilitation scheme. There are two separate things.

THE CHAIRMAN: Yes. Do you think the youth farm rehabilitation scheme has not been started?

MISS ARCHIBALD: The farm youth rehabilitation scheme?

THE CHAIRMAN: Yes. You said that you are asking that youth should get the jobs on that.

MISS ARCHIBALD: No, I do not think the farm youth rehabilitation scheme has been started. You would gather from Mr. Farnall's report whether it had or not.

THE CHAIRMAN: No, I did not think to ask him on that. You think it has not been started yet?

MISS ARCHIBALD: No, I think it has not. And in the findings of the Alberta Youth Congress, this was also included in the findings, that young people be given first place in the jobs that were available there.

THE CHAIRMAN: I suppose if it is a youth farm rehabilitation scheme they would be. Assume that there are unemployed heads of families who have families to support, would you say that the youth should be given the preference to the head of the family in securing remunerative employment under such a scheme?

MISS ARCHIBALD: Of course we have a great many heads of families in our youth organizations.

THE CHAIRMAN: That is all right then, you qualify.

MISS ARCHIBALD: You made a remark just a moment ago farm youth rehabilitation. I think it would clear the matter up, one is the farm rehabilitation and the other is youth rehabilitation.

THE CHAIRMAN: Yes, but you want the two to go together?

MISS ARCHIBALD: Well, they are separate now, definitely. Shall I proceed?

THE CHAIRMAN: Yes.

MISS ARCHIBALD: " We are confident that the majority of the young people believe that where a social service is required, the health and general welfare of the individual is the ultimate responsibility of the whole state, and should be maintained by the National Government because in most cases, where the local need is the greatest, the sources of revenue are the smallest."

COMMISSIONER ANGUS: Is not that, according to all that one hopes, a temporary condition? In looking forward to the planning must not one assume that the provinces will be solvent, self-supporting and able to undertake the duties? The tendency at present is to say the Dominion can do it because they can find the money much more easily than the province, but for the long period is it not a contrary consideration that the province is

more likely to take action, more likely to be aware of the situation, to have more initiative, is in closer touch with the youth of the province than the Dominion government is likely to be with the youth of the Dominion?

MISS ARCHIBALD: They will naturally have to have provincial administrative units, provincial supervision, but things like drouth are a national responsibility, whether we like it or not.

COMMISSIONER ANGUS: But what I had in mind was that British Columbia made a start with a physical recreation programme.

MISS ARCHIBALD: Yes.

COMMISSIONER ANGUS: Is it not likely that the province will take the initiative, if it has the means to do so and it is not stopped by law from doing so? By transferring all these responsibilities to the Dominion do you not cramp the provinces?

MISS ARCHIBALD: As you say, if they had the money to start these things. British Columbia evidently had.

COMMISSIONER ANGUS: I began by suggesting that if one looks forward over a long period, must not one assume that the provinces will be solvent?

MISS ARCHIBALD: Well, it is a nice thought, I do not know. We have been trying for a couple of years at least to get something of the sort going, and we have not been successful.

"CANADIAN FINANCING:

Recognizing the necessity for adequate social service projects, we also recognize the necessity of adequate financing of such projects. In this connection, we make the following suggestions:

1. That the taxation system be revised so that land and land improvements are not required to finance activities of the state that do not increase

"the value of such property."

Probably the main one there is expenses for relief which are taken from the general revenue into which taxes from land and land improvements go, with no increased value to that said property.

"This means that a municipality must either be given additional sources of revenue, apart from property taxes, with which to carry on its social service responsibilities, or be relieved of such responsibilities.

2. We affirm the principle of Civil Service control of government appointments, believing that the universal adoption of this practice would mean a substantial saving."

THE CHAIRMAN: Have you civil service control in this province? I do not know.

MISS ARCHIBALD: I understand we have not.

THE CHAIRMAN: Thank you.

MISS ARCHIBALD: "We also feel that where Dominion - Provincial department overlap, there should be a clear defining of responsibility, that is, the Departments of Agriculture, before referred to, of Labour, Income Tax collection, etc."

This point was referred to very minutely in the Vancouver Youth Council brief.

" We believe that the great majority of young people consider an essential nature of any tax to be based on the ability of the assessed party to pay, without hardships out of proportion to their economic status.

CONCLUSIONS.

Generally, we feel that the Canadian Government should establish the right to amend and interpret

"its own constitution, and remove the subordination of our Dominion to the British Governments and their courts.

We feel that in order to preserve the unity of our Dominion, and to realize the changed situation in our country by the advance of technical and economic progress, that the British North America Act be amended to make room for the above reforms.

In order to advance, Canadamust have a centralized responsibility for the carrying out of some of the important functions mentioned above, and at the same time a clear defining of the responsibilities in fields that at present are either overlapping or are ambiguous.

We believe that the special rights of the provinces should be completely protected, but when the destiny of Canada and the welfare of the Canadian people is involved the Federal government should be free to take necessary action at its discretion.

The needs of our young people far transcend in importance any technicalities in Dominion-Provincial relations that might retard the enactment of necessary legislation."

I would also like to submit what might be called an addenda to this brief, submitted by the Edmonton Youth Council:

" The third annual Edmonton Youth Council Conference meeting in McDougal United Church on February, 24 and 25, 1938, appeal to the Rowell Commission on Dominion-Provincial Relations to include in their report the recommendation that the cultural heritage of the Canadian citizens with respect to freedom of the personality, of assembly, of the press and of

"speech to be guaranteed by a definite statute."

I thank you.

THE CHAIRMAN: There is just one further question, Miss Archibald. How widespread are the organizations represented in your Youth Congress. Do they stretch from North to South of the province? Does it pretty well represent the entire province?

MISS ARCHIBALD: Yes.

THE CHAIRMAN: Have you rural organizations in it?

MISS ARCHIBALD: Yes. I myself represent the junior branch of the United Farmers. Several branches of the Young Communist League are young farm people. I have a list, would you care to hear them?

THE CHAIRMAN: You might just file it with the secretary because it is of interest for us to know how widespread are the opinions held and represented in the brief. Are you in a position to say, from your knowledge of the youth of the province, whether you think this fairly represents the opinions of the youth of the province, or is that too much to express an opinion upon?

MISS ARCHIBALD: That our brief fairly represents it?

THE CHAIRMAN: Yes.

MISS ARCHIBALD: I do not think there would be any other source through which we could get a fairer opinion of what the young people in Alberta are thinking. I do not think there is any other means of gathering it together. I would be pleased to leave with your secretary the report of our congress.

COMMISSIONER SIROIS: I think the Edmonton resolution speaks of the freedom of the personality. I would like to know what is meant by that. Would you develop that?

MISS ARCHIBALD: No, I would not like to go into that.

MR. BILL THONRTON: This is a resolution that was passed by the Edmonton Youth Council at their annual conference last February and we have no authority really to make any comments upon that. We are presenting it, at least we are taking their word that this is a resolution passed by them to be handed in as part of our brief.

COMMISSIONER SIROIS: In any event, what do you think is meant by the words "freedom of personality?"

MR. THORNTON: I think it came up under the heading of the discussion of the padlock law of Quebec, but I have no doubt the freedom of personality in that case refers to the fact that the person is being thrown into jail or being padlocked, or I don't know.

COMMISSIONER SIROIS: No, no, not in Quebec.

MR. THORNTON: However, in the youth congress last year in Montreal the word freedom of personality was used a great deal.

COMMISSIONER SIROIS: We have to apply to the East to answer it then. The answer is likely to come from the East.

MR. THORNTON: It comes up under the heading of what is happening in Quebec at the present time.

COMMISSIONER SIROIS: That answer does not give an interpretation to these words.

MR. THORNTON: I have no authority here to discuss that resolution. I am handing it on to you as a resolution that was passed by the Edmonton Youth Council.

THE CHAIRMAN: We thank you for the presentation. We are very grateful indeed that the Youth Congress of Alberta is giving serious consideration to these important national problems. You will have the responsibility of carrying on the government of the province and sharing in the government of Canada in the not distant future, and it is important that you are now giving study to these problems. Thank you. The

brief will be Exhibit 243 and the list of organizations could just be attached to the Exhibit.

EXHIBIT NO. 243: Submission of the Alberta Youth Congress, with list of organizations attached.

THE CHAIRMAN: There was one exhibit which we had this morning, and which was marked exhibit number 240. It was a single document, and was one of the exhibits referred to in the brief of the cities. There are documents A to K referred to in the cities brief and they might all go in as exhibit number 240.

The next brief to be presented is that of the School Trustees' Association. Mr. Ottewell will present this brief.

SUBMISSION BY

SCHOOL TRUSTEES' ASSOCIATION

MR. OTTEWELL: Mr. Chairman and Gentlemen of the Commission: I am supported here, morally, by the secretary of our association, the Alberta Trustees' Association, Mrs. Richards, and another member of the executive, Mr. Noonan, who represents specifically in our organization, the separate school board .

As a preface to what I wish to say in connection with the brief which you have in your hands, might I say in the first instance, that I am sorry that our president was not able to be here. He lives in an outlying district and he is a professional man, a physician to be exact, which makes it difficult for him to get away. Consequently, I am doing my best as first vice-president, to present our case. In the second instance, we were limited in our resources, and did not feel that we should employ professional help in the preparation of our case. It represents a layman's attempt, and as such, may be excused for some of its errors.

Now, I think you would prefer that I did not read this brief.

THE CHAIRMAN: No, if you would outline it, that would

serve the purpose.

MR. OTTEWELL: There are, perhaps, two or three points which should be stressed. In the first place, we are, as organized school trustees of the province, representing, we feel, one of the most important, if not the most important, interest in the province. Under our direction, so far as its business management is concerned, is the organization which is, at this moment, looking after the education of approximately 175,000 pupils. In this province, we have one organization for both the elementary and secondary schools, and in that respect differ from some other provinces. We feel that this is a work of supreme importance.

Now, one of the first points which I would like to stress is, that in all thinking of the problem which faces us, we are forced to this conclusion that the time has long since passed for considering eduction as a matter of purely local or parochial interest. We believe it is in its outcome, at least, very distinctly, a national undertaking. The key note of our report is found on the first page, in the third paragraph,"The quality of citizenship in any one part of the country is a matter of intimate concern to the people in every other part of the country." This interest is not delimited by municipal and provincial boundaries. Then we go on in the brief, to define what we mean by healthy citizenship. We point out that citizenship recognizes the possibility of improvement and seeks to develop the capacity for intelligent and constructive criticism in matters of social organization. We believe that this is essential to a democracy. We believe that we should have free discussion, but we further believe, sir, and this is our argument, that if discussion is going to be sound, it must be intelligent as well as brief. We

concede it to be the function of our educational system to develop intelligence and to develop the functions of citizenship. We further argue that, not only must our educational system takeninto account the fact that those who graduate from our classes must make a living, that, of course, cannot be gainsaid, but on the other hand we are agreed that it is even more important that having made a living, the graduate should know how to live.

THE CHAIRMAN: You have not discovered any method yet, whereby one can live without making a living, I suppose?

MR. OTTEWELL: No, sir, the problem which always faces us, is, "What are you doing to enable our boys and girls to make a living when they have passed through school?". They must live, otherwise they will not live worthily, and our work will not have been done at all.

We quite realize that in brushing away some of the things which have to be disposed of, there are some real problems in this business of education. The organization for which I speak would be the last one to argue that we have found a solution yet, as to what we ought to teach or how we ought to teach it. That will be a subject for a different organization and will, probably always be a matter of contention. So far as we are concerned, the trustees' organization is directly responsible for furnishing the plant and the wherewithall with which you keep it going. This is primarily our responsibility, and we accpet it as such. It is our business, to a very large degree, to sell the matter of education, to sell it to the public and to our taxpayers. It is our duty to make them, as well as we can, furnish the wherewithall in order to keep going.

THE CHAIRMAN: The civic authorities say that you make them sell it to the taxpayer.

MR. OTTEWELL: Mr. Chairman, that is a subject upon which I could give a great deal of information if it would serve any interesting purpose. I am a member of the school trustees' board of this city, and have been for eleven years. As you know quite well, under our system the school trustees are elected and are just as responsible to the ratepayers for their actions as the city council, and are just as much aware of that responsibility as the city council. I think the trustees are just as anxious to discharge their duty efficiently. There is much that might be said on this point, if time permitted.

Our organization, of course, represents both rural and urban school organizations. The problems are slightly different, though, in principle, they are exactly the same. The real problem is that of getting the necessary funds with which to keep going. It must be said that the problem is, in some respects, more acute in the rural areas than it is in the urban communities. They have passed through, in some respects, more stressful times than have the people of the urban communities. Even the people of urban communities are finding a very great difficulty in carrying on at all. There was some question raised this morning in the discussion as to whether or not the school trustees were being extravagant in some of the urban communities. May I tell you, sir, that in this particular city at this particular moment, we have not a single modern high school building. So far as upkeep of plant is concerned, we have been running periously near the danger line for the last eight or nine years. So far as maintenance is concerned of our existing plant and equip-

ment--well, at this moment, we are desperately needing a large high school and several other schools. We cannot see how such projects could possibly be financed. Far from being extravagant, the trustees have been coping with an almost impossible situation.

I should add a word, perhaps, as to why our situation here, is difficult. This particular condition applies to the province as a whole, but it applies more particularly to this city for some reason. I could suggest the reason. The large percentage of our population which is of school age--that is, of course, natural to a new community. However, it is one of the things which makes our problem difficult. In this city, the last time an accurate figure was available, that is, the census figures, about 23 per cent of our total population was at school. Now, if we compare that with some of the older urban communities--I think I found one at that time, where the percentage was as low as eleven per cent.

THE CHAIRMAN: They must have had small families there.

MR. OTTEWELL: It happens to be a rather wealthy city, but I will not name it. The percentage in this city, was, as far as I could ascertain about 11 per cent. Our percentage was approximately 23 per cent of the population which was of school age. Over the entire province, it is around 20 per cent, or thereabouts. It is easily seen that this is one of the things which makes the problem of maintaining schools a very difficult one. We have not got what we ought to have in the urban communities, we know that. You have heard a good deal of what the city council thinks of us for asking what we do ask, but we are going to keep right on asking because we believe that our work justifies it.

Now, another phase of our problem which was mentioned in connection with other briefs, was that a greater portion of our outlay is in connection with salaries. In this city, salaries account for approximately 73 per cent of the total school budget. It is a very large item, so you can see, if you are going to make any appreciable difference in educational costs, it will necessitate making salary reductions. We have cut down on capital expenditure to the danger point at the present time. This raises, of course, the problem which will undoubtedly be discussed in the presentation of the brief immediately following, namely, the Alberta Teachers' Association. So far as the Alberta Trustees' Association is concerned, we have no desire or intention of permitting our schools to be run by sweatshop labour. So far as teachers' salaries are concerned, we believe teachers should be paid reasonable salaries. We know that at the present time, in a great number of schools the teachers are not receiving reasonable salaries. In the rural portion of the province, in the last departmental report covering this point, the average teachers' salary was $743.70. This was the average rural teacher's salary, but there were salaries as low as $360. There was a considerable number as low as $500.00, between $360, and $500, at that time. That is not the whole picture either; at that time, there was $260,000.00 in arrears in teachers' salaries. We know that debentures and carrying charges were not being met. Our suggestion—I would like to bring what we have to say to a close as quickly as possible. In our suggestions, sir, we tried to confine ourselves strictly to the terms of the reference, which we understand to be Dominion-provincial relations. We are not going to labour the point of our relationship with the provincial government. We suppose that to be

purely a domestic matter. It is quite true, as was pointed out this morning, that we are getting 7 per cent in our grant in the cities of Edmonton and Calgary. The rural schools are treated a little more generously and for the whole province the contribution by the province is less than 18 per cent by way of grants. It is believed that in the province of British Columbia, the contribution is approximately 25 per cent. To the best of our information, the contribution in Britain is about 50 per cent.

THE CHAIRMAN: Of course, that is a unitary government; Britain has no provinces.

MR. OTTEWELL: Nevertheless so far as the local school authorities are concerned, the effect is much the same; they get the money, and we do not. Consequently, we have to extract it from the local taxpayers. We have to take it as a mill rate levy on real property. Our taxable capacity is steadily shrinking with the forfeitures which are being made; the situation is getting worse.

THE CHAIRMAN: What is your suggestion, then?

MR. OTTEWELL: We realize that under the B.N.A. Act the responsibility for education is specifically allocated to the province, but we believe that seventy years ago what was understood as being education was very different from education as we know it to-day. In those days, there was relatively little provision for secondary education at the public expense. In fact, it is very doubtful whether it was ever contemplated.

THE CHAIRMAN: Tell me then, what do you deduce from that proposition?

MR. OTTEWELL: I deduce that the conditions having changed so radically, that the point of view and the method of dealing with conditions must change as well. Some more equitable distribution must be made, either by

way of relief for the provinces by the taking over of the social services which they are now carrying, or some other way. These social services were not, in many instances, thought of, at the time of Confederation. If the provinces were relieved of the burden of social services, it would release provincial resources and make them available for the maintainance of education, for which the province was specifically made responsible. If this could not be done, then substantial grants-in-aid must be given if the province is to carry on these social services. We should have substantial grants-in-aid for education, and if it is preferable that these grants take the form of a specifically discounted or earmarked grant, as for example, that for technical vocational education, that would be a help. We believe some assistance should be given, either by way of releasing provincial resources and making them available or available to a greater extent, or by the method of direct grants-in-aid. It may be contended that direct grants-in-aid are a contravention of the existing statutes. If that is the case, there should be some change made in order that this might be done. It is simply out of the question for us to continue with the resources now placed at our disposal. We simply cannot continue any longer, in our opinion, to provide secondary education free. Of course, there is no such thing as free education, but it is free, so far as the pupil or student is concerned. We are reaching the point where it is becoming an impossibility to keep going. Something will have to be done or we will have to revert to some other plan for carrying on secondary education. We believe this question is not acute because it has been suggested often--we believe a good deal of improvement can be made as to the financial arrangements between the Dominion and the provinces at the

present time. In the meantime, there are some services which are a duplication of others. There is some measure of duplication, where a measure of real economy could be effected. We believe, most emphatically, that it is an absurdity to have two or three authorities levying an income tax. It is particularly irritating because in the month of March we get a form from the provincial government with the warning to fill it out immediately. The next month we get one from the Dominion and each one starts from scratch. There is no allowance given for the fact that the ground has been covered once, and thoroughly combed out.

COMMISSIONER ANGUS: If you did that, the rates would have to be higher in order to get the same revenue, would they not?

MR. OTTEWELL: I am speaking of the psychological effect of paying this income tax three times.

COMMISSIONER ANGUS: You would prefer to pay a higher rate and just pay it once, would you?

MR. OTTEWELL: I think I would prefer the higher rate and pay it the once.

COMMISSIONER DAWOE: Is there no cognizance taken of the fact that the tax has been paid once? I thought the province of British Columbia was the only province which did not do that.

MR. OTTEWELL: Then, they have honourable company in the province of Alberta. We submit that in the matter of income taxes and succession duties, the federal government is the authority in the best position to levy those taxes equitably.

In conclusion, we believe that provision should be made for periodical revision and rearrangement of federal-provincial relationships. I do not wish, sir, to

take up any more of your time, unless you have questions which you would like to ask me.

THE CHAIRMAN: There was just one question in reference to your last suggestion, that is, the question of Dominion-provincial relations. Have you good reason to think that the government of this province would approve of your recommendations?

MR. OTTEWELL: I would be the last one to undertake to speak for the government of the province of Alberta.

THE CHAIRMAN: You see, the difficulty is, that these representations affect Dominion-provincial relations, strictly. How can we take cognizance of them, in the absence of the provincial government? Having regard to the fact that your school trustees' association and your school trustees' boards are purely provincial organizations; if you were a wholly independent organization, like the board of trade, not representative of any government, we, of course, could take cognizance of your representations as representing those of the Canadian citizens, but you are a part of a provincial organization. I just wish to point out the difficulty, to see if you have any solution of it.

MR. OTTEWELL: I can only say that we are people of great faith, and we believe our contention is sound. We are casting our bread upon the waters, hoping it will return in not too many days. We cannot speak--it would be presumptious on our part to speak upon the point which has been raised.

THE CHAIRMAN: Thank you for your submission, and we will give it every consideration, but there is the difficulty which I have pointed out.

MR. OTTEWELL: I would like to say, sir, that we appreciate very much the courtesy extended to us in this

hearing.

THE CHAIRMAN: This brief will be marked as exhibit number 244.

EXHIBIT NO. 244: Brief of the Alberta School Trustees' Association.

THE CHAIRMAN: Now, we will have the presentation of the Teachers' Federation brief. I understand the presentation is to be made by Dr. Sansom. Will you just for the purpose of the record, give us the names of those with whom you are associated in this presentation?

SUBMISSION BY

ALBERTA TEACHERS' ASSOCIATION

DR. SANSOM, Chairman of the Provincial Normal School was called.

DR. SANSOM: Associated with me, there is Mr. Barnett, General Secretary-treasurer of the Alberta Teachers' Association; Dr. Lazerte, who is president of the Alberta Teachers' Association; Mr. Rosborough, who is at present a teacher in the city of Edmonton; Mr. McKee, who is superintendent of schools in Edmonton.

Is it your suggestion, Mr. Chairman, that I read the brief?

THE CHAIRMAN: If you can summarize the brief, it is always more interesting, than if it is read. However, it is just which ever way you please to do it. If you could explain to us the main points, it will perhaps fulfil the purpose. We have the brief before us, and it will be considered in due course. If you wish to emphasize any points, I think that will fill all the requirements.

DR. SANSOM: It may or may not be known that the Alberta Teachers' Association is composed, now, of all the people actually engaged in teaching in the province of Alberta. We have a teaching profession Act, and as a con-

dition to teaching in this province, the teachers are automatically members of the association. This brief was prepared under the direction of the executive of the Alberta Teachers' Association, and may be said to be presented by the entire teaching body of this province.

THE CHAIRMAN: Does that represent the teachers in both public and separate schools?

DR. SANSOM: It represents all teachers who are engaged in the actual work of classroom teaching in this province. They are all members of the association.

The main point in this brief, sir, is contained in the first printed page of the brief, in italics, in the second column:

> "Hence the thesis advanced here is that the federal government should give immediate consideration to the question of national aid for education."

That, sir, is the one point which we are making in this brief, almost to the exclusion of all other matters. We believe that the time has come when the point of view known as the "parochial point of view" in educational matters is out of date. If Canada is not to be outdistanced and to lag behind the other countries in thematter of education, I think the time has come to regard education as a national matter. In the other parts of the British Empire, education has been approached generally and nationalized. It is true that in Australia education comes under the jurisdiction of each of the provinces, separately, but in a different manner to this Dominion. It is thoroughly centralized, not localized among the small rural towns and village districts, as in the case of Alberta and the Canadian provinces.

To quote from the brief:

"Seventy years ago, when the Fathers of Confederation assigned to the provinces the responsibility for making laws in relation to education, the parochial view was, in fact, the dominant one. This was before the emergence of a national system in England; it was before the rise of modern state systems in other parts of the Empire; it was long before the almost revolutionary change in point of view in this matter that is now taking place in the United States."

I submit, sir, we wish to state to you that we cannot afford to ignore this question, especially in the light of developments across the line at the present time. Over there, we see good prospects for an early start at federal contribution towards education. Of course, we cannot anticipate what may happen. We can only suggest that we have been influenced by American history and American principles and we feel that we are falling behind the rest of the Empire in educational matters. It seems to me a fair inference to make that if our neighbours closest to the southern boundary exert an influence upon us, there seems no reasonable doubt that we will be called upon to nationalize or rationalize our educational system, notwithstanding the difficulty that appears to standin the way with respect to the constitution and early history of this country.

THE CHAIRMAN: You must recognize that we have a wholly different problem than that of Great Britain, in regard to our educational system. In the province of Quebec--thereis no province which guards more jealously its control over language and schools and that factor must be kept in view in discussing our educational system from a national point of view. This perhaps emphasizes the

importance to the provinces. You spoke of the "parochial point of view". It is quite true it should be much broader than the parochial point of view, but do you think it cannot be competently dealt with by the several provinces?

DR. SANSOM: That is the contention which is made in this brief.

THE CHAIRMAN: Why do you say the provinces cannot competently deal with it?

DR. SANSOM: There are two reasons, primarily; one is the limitation with respect to taxing privileges.

THE CHAIRMAN: That is a question of financial adjustment between the Dominion and the provinces. It is one of the problems we are called upon to consider. This commission must consider whether there should be any rearrangement or readjustmentof the financial relations between the Dominion and the provinces, that is a proper subject for consideration in that respect. What is the other point?

DR. SANSOM: There is inequality in many provinces with respect to the ability to support and educational system.

COMMISSIONER DAFOE: Are you suggesting Dominion control, or provincial control with Dominion aid?

DR. SANSOM: The question of control is rather carefully dealt with in the brief. In answer to your question, I may read a paragraph or two from the third printed page of the brief. I see the pages are not numbered separately. Down in the lower corner of the third printed page, I read the following:

> "The only real solution of the problem, in our opinion, is for the Dominion and the provinces to collaborate in providing a basic educational pro-

"gramme for all of Canada. This is undoubtedly in line with the trend of thought almost everywhere to-day. American thinking on the subject is taking its cue from the report of the Education Finance Inquiry Commission which appeared in 1923. This report, originally intended for state guidance only, proposed that, in place of the ineffectual attempts at equalization by special grants, the state as a whole should set up a foundation programme of education, below which no locality would be allowed to go; and that the cost of the programme should be a charge on all the people of the state according to their tax-paying power."

I quote another paragraph applicable to the question of control.

"In and for each province the legislature may exclusively make laws in relation to education". This, from Section 93 of the B.N.A. Act, is the authority for provincial sovereignty in education (subject only to certain reservations respecting the rights of religious minorities). By interpretation it is made to cover both the control and the support of education. But the core of the matter, the primary concern of the Fathers, would seem to have been control rather than support. The main question at issue with respect to control are such as, who shall teach our children? Who shall appoint the teachers? Who shall write the curricula? These are questions of control, not support. And in regard to such matters we are agreed no significant changes should be made. The constituted authority for these matters was vested

"in the provinces and there it should remain. In whatever is done there must be careful regard for the sensibilities of every important group in Canada with constitutional rights as touching control. But support is another matter. It might even be quite possible to interpret Section 93 as having no bearing on support excepting as this affects control.

Support does not necessarily imply control, although this is not intended to suggest there should be no control in the event of direct federal aid for education. It is not a question of control in the abstract; it is quite specifically a question of what is controlled and how much. Control is a very indefinite term. There may be little support and much control, as in the relation of the provinces to the cities, or much support and little or no control, as in the relation of provinces to the universities. The dictum,'with support necessarily goes control" is one of those facile generalities which lose much of their impressiveness on being approached. 'A review of our experience for more than a century', writes Professor Mort, 'disproves the conclusion that control necessarily accompanies or follows support.' And Dr. R. M. Hutchins, President of the University of Chicago, in advocating Federal support for education, denies that federal control is implicit in the proposal. 'I am not proposing nationalization,' he writes, 'I am proposing federal support.' The entire history of land grants for education, both in Canada and the United States, the experience of legislatures in voting

"university funds, and the history of provincial subsidies in Canada, a due proportion of which necessarily went to the support of schools, all go to show that support and control in education are not so inseparably connected as they sometimes are made to appear."

That is the way, sir, we get at the problem of support and control in this brief. The contention is that control does not necessarily follow support, although some control would naturally be expected in the case of large scale aid by the federal government. There would be control with respect to asking a province to give an accounting of what it did, but that the control should go into the classroom, by way of dictating the subjects for the curricula and the way the subjects are taught in the class room, that would be entirely an unnatural assumption.

We believe we are presenting a case which is bound to make itself felt in the near future; we cannot escape the fact that we are getting into difficulties with regard to taxation, especially the land tax. The figures given on the second printed page of the brief, show the position of Edmonton. The summary below the figures reads as follows:

"From these figures it will be seen that the taxpayers of Edmonton number only 34 per cent of the electors, and 20 per cent of the population. It is evident that the financing of education rests upon but a small proportion of those benefiting directly from the service. And this small proportion is decreasing from year to year. The number of taxpayers paying property taxes in Edmonton in 1936

"was less than half the number in 1920 in the face of an increasing population. We have, therefore, the spectacle of an expanding service and a narrowing tax base. This is the typical situation found in cities."

This is a typical situation, even in the cities in other provinces. The discussion of those, and I tried to point out with respect to introducing an adequate system of secondary education, there seems little chance of it ever happening as things are constituted at present. Even if the province were relieved of a great deal of its present responsibility with respect to other services, there would still be the very important national problem of equality of education, particularly among the different provinces.

At the present time, on page three, we make the point that in Canada for each dollar per year spent on an enrolled pupil in New Brunswick, $2.31 is spent in British Columbia, $2.00 in Ontario, and $1.85 in Alberta. In the United States, a child enrolled in New York State has nearly $7.00 spent on his education for every dollar spent on a child in Mississippi. Hence, the question of equalization as between the states, is a much more vital one in the United States than it is in Canada. But it is an important issue in Canada, nevertheless. As a national asset, it must not be assumed that a child in one part of Canada is worth two and one-third times as much for his education as a child in another part. There is no adjustment of taxing powers whereby different inherant inequalities of the taxable capacity that does exist from province to province can be made.

THE CHAIRMAN: Do you think you can generalize from

these figures to the conclusion which you reach? Is it not equally true, that there are some inequalities between sections of each province, both sections being in the same province, as there might be between the different provinces.

DR. SANSOM: That is dealt with carefully on page three of the printed brief. I quote from that page:

> "An even more vital matter for Canada, however, is that of equalization at a reasonably high level within the provinces. The inequalities of opportunity here, as between the different municipalities, are enormous. The question is, can all the provinces, individually and unassisted, equalize educational opportunity at a high enough level to safeguard the national interests? Two difficulties arise at once. One is the constitutional limitations with respect to taxation within which each province has to operate. The other is the taxable capacity of the several provinces. The first is common to all. The second varies from province to province. The general level of education in Canada as a whole might be raised either by giving the provinces more taxing privileges or by relieving the provinces of other public service responsibilities. But both these measures would probably tend to increase rather than decrease existing inequalities among the provinces; and there would be no guarantee they would lessen present inequalities within the provinces. This would depend on the provincial distribution of the new funds. Over this the Dominion would still have no control."

THE CHAIRMAN: Is it not true that you depend upon the provincial government to determine the distribution

within a province? If public opinion in the province will not require the provincial government to so distribute the educational fund as to secure such resonable equality, particularly as is necessary to give a fair chance to all children of the province, how can you expect it to be done, by another outside agency? Surely, the provincial government must be the one to determine how the money for education shall be expended within the province?

DR. SANSOM: Quite so, sir, at the present time the cities are being so burdened that they cannot see their way clear to assist in the development of educational facilities. The whole country seems to be taxed to the utmost in order to carry on such schools as we have. The proposition is, that in the future the Dominion and the provinces would collaborate in schemes whereby there should be granted to the suffering districts in the province, some measure of relief, on a basis something like that which is being operated in several of the states of the United States, such as Kansas. The Dominion could have some say also, with respect to the distribution as to the conditions for ereceiving this grant. The Dominion would not, in any way, interfere with the school subjects or with the curriculum or with those things which are purely a national concern of the minorities.

THE CHAIRMAN: Have you estimated what that would cost?

DR. SANSOM: We have not gone into these figures. In the United States, where this is done, the contribution amounts to $600. or $700. a year for every school room. that is to say, it works out to about $30 per pupil per year. This money is distributed in such a way that if a rural school has less than about 22 pupils, --twenty times 30 would be $600. per year--if the rural school has less

pupils, it gets the $600. anyway?

THE CHAIRMAN: Is that a state grant or a federal grant?

DR. SANSOM: The federal grant in the United States, as yet amounts only to 1½ per cent of the total state grant, that is not counting those recent alphabetical grants referred to on page one. The P.W.A. has allotted $323,000,000. for building schools, the C.C.C. spent $4,500,000. on education and the N.Y.A. spent $24,000,000. for student aid. These special grants are not included.

THE CHAIRMAN: That is part of their unemployment emergency relief. How many schools have you in this province?

MR. BARNETT: We have about 3,600 school boards and I think there are approximately 5,950 different departments, that is, separate classrooms.

THE CHAIRMAN: I was wondering, on the basis of the Kansas $600. per room basis, how much it would amount to in this province?

MR. BARNETT: Just one word further with respect to your suggestion that it is the duty of the provincial government to equalize the situation within the province. I think it may be suggested that a pretty fair attempt, insofar as the resources of the province will permit, has been made by the government of this province, that is particularly with respect to rural education. Ifind, for instance, in addition to the ordinary grant of seventy-five cents per day, we have a system of equallizing grants whereby a school district with a grant of less than $10,000. could receive an additional $280. per day. It is on the scale of twenty cents less for each additional five thousand dollars, taking $75,000. as a minimum. I am suggesting, sir, that the province within the limit

of its resources, has tried to equalize the basis.

THE CHAIRMAN: That is true, I think, in all provinces. I think, in Ontario there are special grants for rural schools to help the situatiom. What is the total grant in this province for education?

DR. SANSOM: $2,000,000. approximately, per year.

THE CHAIRMAN: This $600. per year, per school room would give you, how much?

DR. SANSOM: It would amount to approximately $3,500,000. The grant for inspection and normal school maintenance is included in that grant of $2,000,000. or more.

The position of Canada, sir, with relation to the American states, if that is of any interest, is referred to on page two. The position of the Canadian provinces is quite different from that of the American states. I think it is a matter of some interest.

THE CHAIRMAN: You have gone over that, I think.

DR. SANSOM: The position of Saskatchewan is, of course, due to temporary causes, we hope, and the unfortunate position of that province during the recent years. Insofar as the other provinces are concerned, there is probably not a duplication in the United States to carry on a true comparison. If the United States should, by any chance, and the prospects appear bright, adopt a scale of support such as that which is suggested in the Harrison, Black, Fletcher Bill, we would find ourselves in a very unfavourable position in comparison with the United States, insofar as educational facilities were concerned. It may be argued that that is not a fair criterion of the rural educational question in the schools but the figures cannot be ignored. Many of the American

states are on a higher plane than our provinces when compared with the provinces. Four of the nine provinces are in the lowest quartile of the American states and two more barely escape. Sixty-seven per cent of the provinces are among the lowest twenty-nine of the states, and those, for the most part, the southern states, where large numbers of negro children are not much more raised than above the level of literacy.

THE CHAIRMAN: Are you satisfied that the efficiency of our educational system throughout our provinces is less than that of the United States?

DR. SANSOM: I feel, sir, that as compared with the more progressive states, we are a long way behind with respect to education, particularly with respect to educational participation and also with respect to urban education. I do not think our educational system compares favourably with that of California. I could not for a moment, suggest such a thing.

THE CHAIRMAN: How does it compare with the adjoining states of the American border, Washington, Montana, etcetra?

DR. SANSOM: I would not care to answer that question, as I have not any specific information on it.

THE CHAIRMAN: You see, one of the very difficult problems with which we are faced, as well as one of the very important, is, can the necessary and desirable public services be maintained with the resources which are available.

DR. SANSOM: We recognize, sir, the fact that if Canada cannot really afford to educate her citizens, then of course, the government cannot afford it. We would not like to take that stand until the whole question has been canvassed and the nation as a whole put under tribute.

THE CHAIRMAN: At present, all of our governments are running behind, and the question is, should more taxes be imposed in order to raise more money or how is the additional sum to be raised? Now, I do not want, by raising this important question, to make you think I am not sympathetic with the importance of the question of education. I have always taken a very keen interest in education and all of its branches. However, it is just like a man who has an income of a certain amount, if he spends more than he has, he is going to be in trouble. Where is either the province or the Dominion to get the additional money unless either one or the other imposes increased taxation? If it is to be increased taxation, how should that increased taxation be imposed? You see, we have to report on the whole question of taxation, and if you can give us any help on that point, you would be doing something for us which has not so far been done by any other delegation which has presented a brief to us.

DR. SANSOM: Mr. Chairman, I am afraid no member of the Alberta teachers' association is an expert taxationist. We have figures here to indicate that there is a wide discrepancy in the amount which is being put forth by the several provinces in the support of their utilities. I should like to call your attention, especially to that column on the second last page . Educational effort is a third significant factor in this discussion. It is defined as the ratio of the amount spent for education to taxable capacity. Here is an index of effort as the ratio of current school revenue to gross production, 1934, Canada is taken as 100.

Fross Production, 1934, Canada--100

Prince Edward Island.....94

Nova Scotia.....111

New Brunswick.....103

Quebec..... 80

Ontario..... 94

Manitoba.....133

Saskatchewan.....157

Alberta.....147

British Columbia.....100

COMMISSIONER SIROIS: You must be careful in dealing with that Quebec figure. As a matter of fact, the municipalities contribute very little towards education. Most of the educational institutions are run by Catholic religious orders, and this relieves the municipality of a great portion of the burden.

DR. SANSOM: This is a ration of current school revenue to gross production.

THE CHAIRMAN: You say,"The ratio of current school revenue to gross production", what do you mean to gross production?

DR. SANSOM: It is just a table in the Canada Year Book. We have given it here. These are the figures which are given in the Year Book, the gross production in the several provinces.

In reply to how would Ontario be handled on this same basis, you may look at the next table which I have here. This is an index of effort as the ration of ordinary revenues to income tax assessments,1934, with Canada taken as 100.

Index of Effort as the Ratio of Ordinary Revenues to Income Tax Assessments, 1934, Canada--100.

Prince Edward Island	319
Nova Scotia	214
New Brunswick	157
Quebec	81
Ontario	67
Manitoba	129
Saskatchewan	390
Alberta	167
British Columbia	148

Now, your reference to Quebec would hardly apply to Ontario.

THE CHAIRMAN: You say, the index of effort as the ratio of ordinary revenues to income tax assessments, does that mean the Dominion income tax assessment?

DR. SANSOM: Yes, the Dominion government income tax assessment.

THE CHAIRMAN: It is difficult, unless one has all the factors--I assume it must be to show how much of the income tax or what proportion of the Dominion income tax is collected in the province of Ontario and the ratio of the tax to the effort put forward.

DR. SANSOM: The point I am trying to make, sir, is that there is a third table appearing on the same page in which Quebec is shown as contributing 84. In this third table, Alberta is shown as 239.

We recognize that there are two terms of the ratio in each case; they are not perfect at all. They are just taken at random from the Canada Year Book, yet the consistency of the figures is significant--I am quoting now from the brief:

"--and bears out the known facts that the west has

"been having a desperately hard time to 'keep going' in recent years, and that the burden of supporting the services of government bears very unequally on the different provinces. The basic industries of Ontario and Quebec are more diversified than those of the west; and besides, the fiscal policy of Canada seems to be intended, whether designedly or not, to favour those provinces. In these circumstances it seems reasonable that the cost of services essential to the well-being of Canada as a whole should be more evenly distributed over the whole of Canada. The ties of Confederation need strengthening. Their hold is none too strong. What better way to do this than for the Dominion to take a practical interest in such a basic service as education, which directly touches the daily lives of nearly 25 per cent of the Canadian people, and only a little less directly the entire adult population."

COMMISSIONE DAFOE: It is a sort of indication of the sacrifice which the poorer provinces are making to maintain the educational standards somewhat approaching those of the richer provinces.

DR. SANSOM: Quite so, yes sir.

COMMISSIONER DAFOE: And therefore useful for that purpose?

DR. SANSOM: Yes.

THE CHAIRMAN: I can quite understand that, I thought you were quoting that for a different purpose.

DR. SANSOM: The question is summed up on the last page of the brief in which we state here in the first column:

> " That taxation in Canada should be reduced to some semblance of a rational system may be regarded as a truism. The services should be allocated to the municipalities, the provinces or the Dominion, as the case may be, and non-conflicting taxing machinery devised for their support. But in any consideration of this question education holds a unique position. Under Confederation as it stands three propositions may be sustained:"

There may be a question as to whether they can be sustained or not, but we submit they may be sustained.

> " First,education must continue to be controlled and and administered in all significant respects by the provinces and municipalities."

That is so far as control of the essential nature of education is concerned.

> "Secondly, the most polific sources of revenue from indirect taxation must remain under Canadian control."

That is to say, if we are to continue as one nation we cannot allow the individual provinces to impose all kinds of income taxes and import duties and everything they might feel they

would like to do. If so, our Confederation is probably very seriously jeopardized at the present moment.

> " Three, local direct taxation is too painful, too fluctuating in time and too variable as between areas to support an equalized and steadily progressive system of education in all of Canada."

As for instance the province of Saskatchewan. With regard to what the province of Saskatchewan has been going through the last ten years, that of course was a temporary thing and we hope they will come out of it, but any province is subject to that sort of thing, and if we had the basis of educational system coming from Ottawa with the taxing facilities of all Canada behind it, while there would be fluctuations in the various areas, as far as the local areas are concerned, and there would be fluctuations in all Canada depending on the prosperity of the country from year to year, there would be a very high degree of steadiness and permanency about the educational system which to-day is so utterly lacking. The fluctuation or variableness of our educational system in Alberta and in most of the other provinces is deplorable. We have seen a depression, if it occurs in a local area where they do not get a crop in one year, they have done without an educational system in that district. In a section of the province if it happens to be a fair crop in one year, the salaries will go up and men will be attracted into the profession and then there will be a poor crop and salaries will drop and they will try to get out of the profession as fas as they can.

We cannot work out any far-reaching or consistent policy because our educational system has to be paid for by direct taxation and has to be paid in cash, the people

have not got the money and they refuse to pay it from year to year, and it is utterly impossible to develop a constant and steady and far-looking educational policy as long as education continues to be financed by a direct tax on land to be paid in cash by all people.

In other words, we areapproaching the thing from a long range point of view. We are not thinking the world is going to be turned over next year, but we do believe we will not be able to sustain an educational system in Canada to compare with that which is developed in the United States and which has also developed in the Union of South Africa and Great Britain, unless everything is put under tribute for this thing and Canada regarded as one nation with regard to the education of Canada, as is the case in the Union of South Africaand is thecase in New Zealand and is the case very largely in Great Britain and in other countries.

COMMISSIONER DAFOE: They are all unitary states which, in the case of Australia, where the state takes 100% responsibility for education, there is a distinct division.

DR. SANSOM: I am not sure that South Africa is any more a unitary state than ours.

THE CHAIRMAN: Yes, it is a unitary state. They have by their own act though, divided it into provinces and they have administrators in the provinces, but the Union of South Africa is not a legislative union.

DR. SANSOM: I understand, sir, that when they organized their union they did specify, and by the experience of others, they knew better than to give the control of education to those different provinces. They might have done so but theykept it under the entire union.

COMMISSIONER DAFOE: I would think it a great probability

if the Dominion put up so large a proportion of the cost of elementary education that there would be a demand for the Dominion control, that there would be a political movement in the Dominion to say: "We are putting up this money and should control the curriculum." I could imagine nothing that might throw a bigger chunk of dynamite into our Dominion politics than that. I have been through two raging school questions which almost disrupted Canada, and I would be really fearful of the consequences. The proposition we have had put before us in other provinces is to leave the elementary schools to the provinces and to look to the Dominion for help in technical education and higher education.

DR. SANSOM: The point that you raised is readily admitted. It has come up for discussion in our group meetings more than any other point. The only way of course, as is recognized in inner circles in United States, from their experience, to avoid it, if it is possible to avoid it, is to have the conditions of the grant put down plainly in the law. That is referred to here several times in this brief, that no discretionary powers should be left to a board or even a department of the Ottawa government. That is the condition of the grant if the suggestion here might be followed, that a certain proportion of the grant coming from Ottawa to be distributed among the provinces, it could be done strictly in accordance with the law, passed after full discussion in the House of Commons.

You might argue, of course, that since certain sections of Canada are in the majority, they will bring pressure on the House and they would pass these laws which would be disruptive to the interests of Canada. If that is the kind of country, the kind of Canada we have, and if that is

the kind of people we have in Canada, and that is the nature of our national sentiment, that we cannot trust the representatives of our Dominion in the House to pass laws that will tie our country together rather than tear it toppieces, if that is the kind of thing we have, we are lost, gentlemen, as a nation.

THE CHAIRMAN: Is not the morale of that to avoid, as far as it possible, thrusting into the federal arena questions which, from their very nature, might produce discord.

MR. SANSOM: I quite understand that. In our opinion we cannot in Canada support an adequate educational system which will compete successfully in the markets of the world on the basis of our present system of taxation and school support in this country as it is at present. You may change your provincial school support, the provinces may contribute a larger part and the Dominion may contribute more to the province. Saskatchewan has argued against that proposition but that is quite a different thing to saying that the province should grant greater aid and that the proportion of taxes raised for education upon real estate should be diminished in favour of a general provincial tax, and you may say also the Dominion should contribute large amounts to the province. You may argue,too,that is a perfectly logical course and why would that not meet the point you have in view without saying that that is what should be done. Those points are covered in the last paragraph of this brief, in the criticism of other forms of federal support for education than a straight grant for basic educational purposes.

The first suggestion we criticize here is that the Dominion should take over the support of other services more suited than education to federal administration, thus

"thus releasing funds in the provinces for education."

That is a very common suggestion. In the first place, it is only an indirect and more or less underhand way of doing what we are afraid to do in a direct way. We want to support education in the province, we do not want to do it directly, therefore, we will take over these other services. I should perhaps withdraw that, it is not exactly that, but I will go on and read:

"One objection is that under this plan it might well happen that only a small fraction of the funds so released would find their way into educational channels. Educational expenditures are never impressive in a political way. Perhaps this is the reason the provinces have already shifted 83 per cent of their obvious duty under the constitution to the local municipalities."

COMMISSIONER DAFOE: You cannot trust the provinces, either, it seems.

DR. SANSOM: In United States, they found that situation and recognized the difficulty in their set-up for federal aid.

"Second. The Dominion should withdraw from the income tax field. The trouble here is that this would provide really significant help only in those provinces now making least effort and whose resources are the greatest. It would be a move away from equalization. And here again what assurance would there be that the new funds would be used for education? What the Dominion needs to do is to assist education, not just assist the provinces. The two things are far from being iden-

"tical.

The conditional subsidies that have been dealt with so often, are dealt with in the next paragraph. They are so faulty as a means of getting at this problem, that I think the statements in the paragraph should be read. The time is perhaps getting late, I should not take more time than I need to here, but we say:

"The objections to these are so many that the plan is probably quite unsuitable for federal support in any large way. For one thing the element of control is likely to be prominent. The provinces must do quite specifically what Ottawa intends. If the conditions is one of matching dollar for dollar, the poorer provinces might find themselves unable to do this, though they would have to contribute through federal taxation to the support of the scheme in the richer provinces. This again works against equalization. Also, provinces might be tempted to divert funds, from other provinces by reducing rural grants, for instance, or increasing fees, in order to earn the federal grant. Furthermore, if the grants are for a term of years, school plants within the special field will spring up like mushrooms only to close down for lack of funds after the grants expire."

That has happened in Manitoba, I believe, in connection with the agricultural grants.

"Nevertheless, we are somewhat used to the idea of conditional subsidies and some use might be made of them pending the inauguration of a better system. There are many phases of modern

"education, some entirely unknown in 1867, which might be aided by conditional grants, or even by unconditional grants, by the Dominion. For an enumeration and discussion of some of them we would refer the commission to Part II of the brief of the Canadian Teachers' Federation to which we wish to give our unqualified support."

And let me say just at this point, that after all this brief is just a general support of the main point of view taken in the brief of the Canadian Teachers' Federation, that we regard as our parent organization.

I turn, sir, specifically to number four on the last page.

" Special grants for necessitous and pioneer areas. It is of extraordinary importance that something be done along this line regardless of what may or may not be done in any other direction. The spiritual starvation of the growing generation in many of these areas is deplorable, and a threat to the national well-being of Canada comparable to that arising from the lack of physical needs we seem to be so much more concerned to provide. One important difference is that while material aid tends to root the population in non-supporting areas, education tends to draw it away by widening the view. In the matter of population adjustments to economic conditions the importance of a wide diffusion of knowledge should not be overlooked."

COMMISSIONER ANGUS: Have you not the same difficulty with giving powers to the Dominion to subsidize education that you have with the Dominion helping the provinces in other ways, and leaving them free to subsidize it in the second case? Your question was, "What guarantee have we

that the province would really spend the money on education." Is not the analogous question, supposing the responsibility is transferred to Ottawa, what guarantee have you that the Dominion grants would be ample?

DR. SANSOM: Of course, we have no guarantee along those lines. These are things that have to be worked out. I think the thought in your mind is if the Dominion goes into this business of education in a large way, that the efforts of the province will go down and education will become heavier and heavier on the Dominion. In the United States, in connection with the Harrison, Black, Fletcher Bill, the proposal there was that no state give less money for education after the grant is inaugurated than it did in 1936. That was an attempt at any rate, to cover that condition.

After all, all the money that is raised in Canada, is raised by the Canadian people. If the contributions by the provinces go down and the contributions by the Dominion of Canada have to go up, it still comes out of the pockets of the Canadian people; and if the Canadian people wish to contribute more in that way rather than in any other way, why should that not be done?

DR. LaZERTE: In two minutes, I think I could say all I want to say.

Going over into an entirely new field which does not raise the problems which have been raised by this larger problem of educational finance, may I call your attention to the fact there is a Canadian Research Council, and you know of its capacity. There are in Canada, 25000 teachers at least, who are very much interested and who would like to see the work of that Research Council extended so it would cover social sciences, particularly

education, because we stand ready to take advantage of anything that can be done to extend the machinery that is there now. For an expenditure of $50,000, we say that we could finance it by way of scholarships and not just frittering it out in administration.

We have already presented a brief through the Canadian Teachers' Federation dealing with this matter. We would like to see the money get right out to the people who would do the work of educating those who require it. We suggest that amount of money should go by way of scholarships to graduate students who have problems in which they are interested and cannot be financed at present.

Our president may have made some reference to that, I do not know whether that reference was in our brief or not. I might simply say that we have presented the brief at Ottawa, and we are simply asking for the extension of something that now exists and we say the expenditure of $50,000. would give us 100 scholarships of $500. We would have that many graduate people sincerely interested in studying such problems as we have mentioned here. We are asking for your support and a little word in advancing your support of that proposition.

THE CHAIRMAN: It has been presented to us. It was presented to us in Ottawa, and also in Victoria, that same proposition.

DR. SANSOM: Might I, on behalf of the Alberta Teachers' Association, thank you and the commission very much for the kind consideration of this question, especially in view of the lateness of the hour. We know that we are throwing into the ring a very contentious question. We believe it will have to be faced sooner or later. We are not expecting miracles to happen.

THE CHAIRMAN: We thank you for your submission. We recognize the importance of the question. It has been presented to us at other points, it was presented particularly at Ottawa, and has been presented to some extent in the other provinces. You have presented it very clearly and very fully, and it will receive our most serious consideration. Your brief will exhibit number 245.

EXHIBIT NO. 245: Brief of the Alberta Teachers' Association.

THE CHAIRMAN: The Commission stands adjourned until 10.30, to-morrow morning.

(The Commission adjourned at 5.10 p.m. until 10.30 a.m., Thursday, March 31, 1938.)